Supreme Court, U.S.
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No. 10-____

IN THE
Supreme Court of the United States

SUPER DUPER, INCORPORATED,
D/B/A SUPER DUPER PUBLICATIONS,
Petitioner,

v.

MATTEL, INCORPORATED,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

PETITION FOR WRIT OF CERTIORARI

THOMAS ZELLERBACH
KHAI LEQUANG
ORRICK, HERRINGTON
& SUTCLIFFE LLP
1000 Marsh Road
Menlo Park, CA 94025
(650) 614-7400

E. JOSHUA ROSENKRANZ
Counsel of Record
MARK DAVIES
ORRICK, HERRINGTON
& SUTCLIFFE LLP
51 West 52nd Street
New York, NY 10103
jrosenkranz@orrick.com
(212) 506-5000

QUESTIONS PRESENTED

This case presents two related questions concerning a district court's authority under the Lanham Act, 15 U.S.C. § 1117(a), to award a plaintiff the defendant's "profits":

1. Whether a district court may award a plaintiff the defendant's profits in the absence of a finding that the defendant intentionally infringed the plaintiff's mark?

2. Whether a district court may award a plaintiff the defendant's profits in the absence of a finding that customers were actually confused by the defendant's infringement?

PARTIES TO THE PROCEEDINGS

Petitioner Super Duper, Inc., doing business as Super Duper Publications, was the plaintiff-appellant in the courts below. Respondent Mattel, Inc. was the defendant-appellee in the courts below.

CORPORATE DISCLOSURE STATEMENT

Super Duper, Inc. is neither a subsidiary nor affiliate of any publicly owned corporation. No corporation owns any of its stock.

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OPINIONS BELOW

The opinion of the United States Court of Appeals for the Fourth Circuit was entered on June 10, 2010, and is available at 2010 WL 2340250 (4th Cir. 2010), and reprinted at App. 1a-17a. The order granting defendant's motion for increased profits pursuant to 15 U.S.C. § 1117 is reprinted at App. 18a-28a.

JURISDICTION

The judgment of the court of appeals was entered on June 10, 2010. The court of appeals denied a timely petition for rehearing or rehearing *en banc* on July 7, 2010. App. 29a-30a. On August 20, 2010, the Chief Justice extended the time for filing this petition to November 4, 2010. The Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

The Lanham Act was intended to make "actionable the deceptive and misleading use of marks," and "to protect persons engaged in . . . commerce against unfair competition." 15 U.S.C. § 1127. Section 35(a), codified at 15 U.S.C. § 1117(a) (emphasis added), provides:

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall

be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover

(1) defendant's profits,
(2) any damages sustained by the plaintiff, and
(3) the costs of the action.

The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. **If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty.** The court in exceptional cases may award reasonable attorney fees to the prevailing party.

INTRODUCTION

This case presents an ideal opportunity for the Court to resolve one of the most entrenched and important disputes in all of trademark law. As circuit courts and commentators have recognized, the circuits are divided over the criteria for

awarding a plaintiff the defendant's "profits" due to trademark infringement. Six appellate courts permit an award of profits without any evidence of either intentional infringement or actual customer confusion. Six other appellate courts, however, insist on either a finding of intentional infringement or a finding of actual confusion or both. Virtually every trademark suit includes a request for defendant's profits, and the division over the criteria for awarding profits is causing great disharmony in federal trademark law.

In this case, the Fourth Circuit has condoned a grave misuse of the profits provision. The jury rejected Mattel, Incorporated's claims that Super Duper, Incorporated intentionally infringed any of its trademarks and Mattel never attempted to show any damages from actual customer confusion. Nevertheless, the Fourth Circuit upheld a $1 million profits award. The petition should be granted.

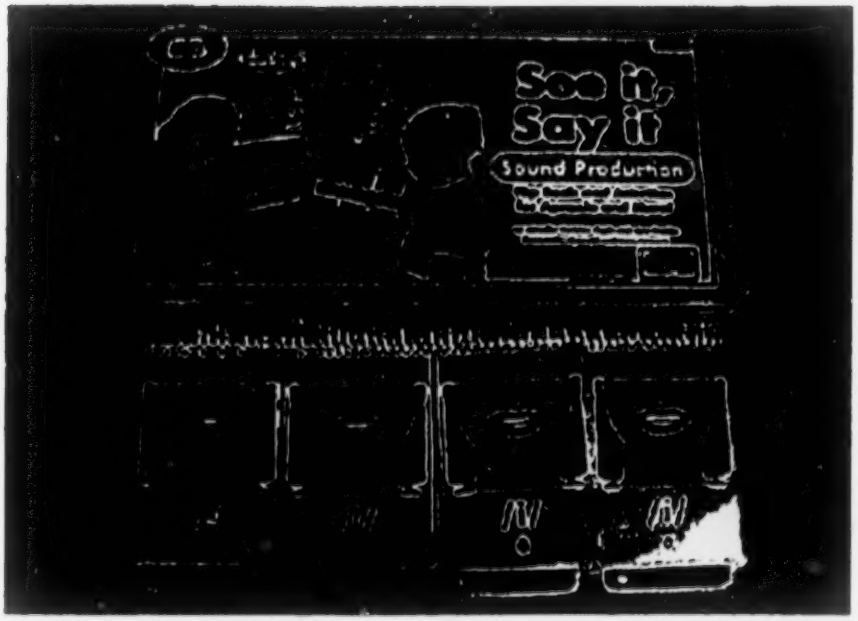
STATEMENT OF THE CASE

Petitioner Super Duper is a developer and distributor of pedagogical tools for children with special needs. Court of Appeals Joint Appendix ("J.A.") 534-41. Super Duper was founded by Thomas and Sharon Webber over twenty years ago, upon Sharon Webber's completion of her master's degree and certification in speech and language pathology. J.A. 532-34. Since its founding, Super Duper has grown from a small "mom-and-pop" operation, run out of the Webbers' spare room, to a

substantial operation with a campus of over 100,000 square feet. J.A. 534-55, 581-83.

Super Duper's products are designed to help children overcome a wide range of speech-related challenges, from simple articulation problems to difficulties with stuttering due to neurological disorders such as apraxia, which can severely impair a person's speech. J.A. 551-63.

As would be expected of a company in the field of speech therapy, Super Duper has used the word "say" in describing and marketing its products to schools and speech pathologists. For example, Super Duper products include: a flip-book with accompanying workbook providing articulation exercises (SEE IT! SAY IT!), educational audio cassettes with accompanying song books designed to help improve hearing and fluency (SAY AND SING), a vocabulary game that involves plastic fish, fishing rods, and a tackle box (FISH AND SAY/FISH & SAY), and a magnetic board game with removable magnetic square pieces that help students absorb phonetic, hearing and fluency lessons (SORT AND SAY/SORT & SAY/SAY AND SORT). J.A. 534-38, 1629-34. Here is a picture of the flip-book product:



J.A. 1629-30.

Super Duper applied for and received federal trademark registrations for several product names using the word "say," including SAY AND DO, SEE IT! SAY IT! and FOLD & SAY. J.A. 799-816.[1]

Respondent is Mattel, the world's largest toy company. Mattel sells a family of "pull toys" under the "SEE 'N SAY" mark. These toys are plastic, circular toys bearing depictions of various figures

[1] Registration of a mark under § 2 of the Lanham Act, 15 U.S.C. § 1052, enables the owner to sue an infringer under § 32, 15 U.S.C. § 1114; it also entitles the owner to a presumption that its mark is valid, *see* § 7(b), 15 U.S.C. § 1057(b), and ordinarily renders the registered mark incontestable after five years of continuous use, *see* § 15, 15 U.S.C. § 1065.

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(such as animals), an arrow that can be directed to point at the figures and a string that can be pulled to trigger a prerecorded statement about the figure to which the arrow is pointing (such as "the cow says moo"). J.A. 44-63. Here is an image of one pull toy:

J.A. 1635-36.

Super Duper's marks and Mattel's marks were both used for many years. Super Duper does not make "pull toys" or any other toys.

In 2004, Mattel initiated proceedings with the Trademark Office to oppose several applications and cancel several registrations of Super Duper's marks that include the word "say." Thereafter, Super Duper sought a declaratory judgment from the United States District Court of the District of

South Carolina that its marks do not violate Mattel's trademark rights. J.A. 64-79.

Mattel filed counterclaims under the Lanham Act, 15 U.S.C. § 1051 *et seq.*, alleging that fifteen of Super Duper's marks violated Mattel's rights in four marks (SEE 'N SAY; SEE 'N SAY JUNIOR; SEE 'N SAY BABY; THE FARMER SAYS). J.A. 235-36, 409. Mattel alleged (1) trademark infringement; (2) unfair competition; and (3) trademark "dilution by blurring."[2] Mattel sought over $10 million in monetary relief, including an award of Super Duper's profits. J.A. 425, 1974.

The action was tried before a jury. On the infringement counts, the jury found that seven of Super Duper's marks infringed Mattel's four marks. App. 42a.[3] The jury found, however, that Super Duper did not engage in unfair competition and that the infringement was not intentional.

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[2] Dilution by blurring means that there was an "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." 15 U.S.C. § 1125(c)(2)(B). Dilution may be found "regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury." 15 U.S.C. § 1125(c)(1).

[3] The marks found to infringe were: SEE IT! SAY IT!; SAY AND SING; FISH AND SAY; FISH & SAY; SORT AND SAY; SORT & SAY; SAY AND SORT. App. 42a. The marks found not to infringe were: SAY AND DO; SAY & DO; FOLD AND SAY; FOLD & SAY; SPIN, SAY & DO; SPIN, SAY AND DO; SAY & GLUE; FUN, DECK & SAY. *Id.*

App. 43a. The jury did not award Mattel any infringement damages. App. 44a.

On the trademark dilution counts, the jury found that two of Mattel's marks (SEE 'N SAY and THE FARMER SAYS) were famous, that the seven Super Duper marks were likely to dilute Mattel's marks and that the trademark dilution was intentional. App. 44a-46a. The jury awarded Mattel $400,000 of Super Duper's profits. App. 46a.

After trial, the district court increased the profits award to $999,113. App. 26a. The court relied on section 35(a) of the Lanham Act, codified at 15 U.S.C. § 1117(a), which permits a court to award a trademark plaintiff the "defendant's profits." 15 U.S.C. § 1117(a). The court justified the award as necessary to "adequately compensate [Mattel]" and to "deter [Super Duper] from future misconduct." App. 25a. The district court also "considered" the six factors for awarding profits that the Fourth Circuit had set forth in *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 175 (4th Cir. 2006).[4] App. 26a-27a. The court emphasized the intentional dilution finding and the public interest

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[4] Under the Fourth Circuit's six factor test for awarding profits, a district court considers: "(1) whether the defendant had the intent to confuse or deceive, (2) whether the sales have been diverted, (3) the adequacy of other remedies, (4) any unreasonable delay by the plaintiff in asserting its rights, (5) the public interest in making the misconduct unprofitable, and (6) whether it is a case of palming off." *Synergistic*, 470 F.3d at 175.

in making the misconduct unprofitable. App. 27a. The district court disregarded as "inapplicable" "whether sales have been diverted" from Mattel to Super Duper. App. 27a. The district court also awarded Mattel $2,643,844 in attorneys' fees, citing the "enhanced" profits award obtained by counsel. App. 40a, J.A. 2702-15.

Super Duper appealed. Although the court of appeals recognized that the dilution verdict was problematic, the court upheld the profits award based on the infringement verdict. The jury's dilution finding could not justify the district court's profits award because the relevant marks were in use before October 6, 2006. *See* 15 U.S.C. § 1125(c)(5)(A). Nevertheless, the court of appeals "reject[ed] Super Duper's contention that the district court erred in increasing Mattel's award of lost profits." App. 15a n.8. The court explained that the district court's decision was "consistent" with *Synergistic*. *Id.* Although the court recognized the jury had awarded no profits based on infringement, the "award of profits and attorneys' fees and costs in this case was ***independently justified*** by the jury's conclusion that Super Duper's use of seven trademarks infringed four of Mattel's preexisting marks." App. 14a (emphasis added). Thus, the court "decline[d] to exercise [its] discretion to correct the district court's error in regard to the award of profits" under the dilution laws. App. 14a.

REASONS FOR GRANTING THE PETITION

The Lanham Act is designed to prevent "others from copying a source-identifying mark" and thereby "helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product." *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 163-64 (1995). At the same time, however, consumers "should not be deprived of the benefits of competition." *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 213 (2000). As with other intellectual property laws, the Lanham Act is a "careful balance" "between the need to promote innovation and the recognition that imitation and refinement through imitation are both necessary to invention itself and the very lifeblood of a competitive economy." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989).

The profits provision of the Lanham Act reflects this delicate calibration between protecting innovation and encouraging competition. Although the Lanham Act gives district courts discretion to award the defendant's profits to the plaintiff, the Act imposes two limitations. Any award of monetary relief is "subject to the principles of equity." 15 U.S.C. § 1117(a). Moreover, any monetary award "shall constitute compensation and not a penalty." *Id.*

The courts of appeals are fundamentally divided over how the profits provision of the Lanham Act translates into criteria to guide specific profit

awards. As discussed below, six circuits do not require that a plaintiff prove willful trademark infringement or actual customer confusion, while six circuits hold that proof of willfulness or actual confusion or both is required. The meaning of the profits provision is important to the sound operation of the trademark laws. This case is an excellent vehicle for the Court to resolve the circuit disagreement.

I. THE CIRCUITS ARE DIVIDED OVER THE CRITERIA FOR AWARDING PROFITS UNDER THE LANHAM ACT

A. Six Circuits Do Not Require Intentional Infringement Or Actual Confusion

The Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits do not require willful infringement or actual confusion for an award of the defendant's profits.

The Third, Sixth and Seventh Circuits have expressly rejected both intentional infringement and actual confusion as prerequisites for an award of profits. *See Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 174 (3d Cir. 2005) ("we conclude that [a] bright-line willfulness requirement has been superseded by statute"); *Century Distilling Co. v. Cont'l Distilling Corp.*, 205 F.2d 140, 146 (3d Cir. 1953) ("[T]he view that in the absence of confusion . . . there is no basis for an award of profits . . . is not, in our opinion, a correct statement of the law.") (disapproved on other grounds in *Fleischmann Distilling Corp. v. Maier*

Brewing Co., 386 U.S. 714, 715 n.4 (1967)); *Wynn Oil Co. v. Am. Way Serv. Corp.*, 943 F.2d 595, 606-607 (6th Cir. 1991) (holding "there is no express requirement that the parties be in direct competition or that the infringer willfully infringe . . . to justify an award of profits" and rejecting the defendant's contention "that actual confusion . . . must be shown to justify a monetary award"); *Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989), *cert. denied*, 493 U.S. 1075 (1990) ("Other than general equitable considerations, there is no express requirement that the parties be in direct competition or that the infringer willfully infringe . . . to justify an award of profits."); *Web Printing Controls Co. v. Oxy-Dry Corp.*, 906 F.2d 1202, 1205-1206 (7th Cir. 1990) (reversing and remanding judgment denying profits due solely to lack of actual confusion).

Along the same lines, the Fourth and Fifth Circuits hold that intentional infringement and actual confusion are two factors among six that are relevant to, but not dispositive of, an award of profits. "[A]lthough willfulness is a proper and important factor in an assessment of whether to make a damages award, it is not an essential predicate thereto." *Synergistic*, 470 F.3d at 175; *see Quick Techs., Inc. v. Sage Group PLC*, 313 F.3d 338, 349 (5th Cir. 2002) ("[W]e decline to adopt a bright-line rule in which a showing of willful infringement is a prerequisite to an accounting of profits."). Likewise, these circuits regard the presence of actual confusion as a consideration in favor of an award of profits but not as a requirement. *See Texas Pig Stands, Inc. v. Hard*

Rock Cafe Int'l, Inc., 951 F.2d 684, 695 (5th Cir. 1992) ("[T]he diversion of sales is not a prerequisite to an award of profits.") (citing *Maltina Corp. v. Cawy Bottling Co.*, 613 F.2d 582, 585 (5th Cir. 1980)); *Synergistic*, 470 F.3d at 176 ("[T]he fact that no sales were diverted[] should weigh against an award being made.").

The Eleventh Circuit has expressly rejected intentional infringement as a requirement for profits. *Burger King Corp. v. Mason*, 855 F.2d 779, 781 (11th Cir. 1988) ("Nor is an award of profits based on either unjust enrichment or deterrence dependent upon a higher showing of culpability on the part of defendant"). The Eleventh Circuit also holds that a "plaintiff need not demonstrate actual damage to obtain an accounting of an infringer's profits under section 35 of the Lanham Act." *Wesco Mfg., Inc. v. Tropical Attractions of Palm Beach, Inc.*, 833 F.2d 1484, 1487-88 (11th Cir. 1987).

B. Six Circuits Require Intentional Infringement Or Actual Confusion Or Both

The First, Second, Ninth, Tenth, Federal and District of Columbia Circuits all require either intentional infringement or actual confusion or both before awarding the defendant's profits.

The general rule in the First Circuit is that "a plaintiff seeking damages must prove actual harm, such as the diversion of sales to the defendant." *Aktiebolaget Electrolux v. Armatron Int'l, Inc.*, 999 F.2d 1, 5 (1st Cir. 1993). The First Circuit,

however, also holds that "where defendant's inequitable conduct warrants bypassing the usual rule of actual harm, damages may be assessed on an unjust enrichment or deterrence theory." *Id.* But "when the rationale for an award of defendant's profits is to deter some egregious conduct, willfulness is required." *Tamko Roofing Prods., Inc. v. Ideal Roofing Co.*, 282 F.3d 23, 36 n.11 (1st Cir. 2002) (citing *Securacomm Consulting, Inc. v. Securacom Inc.*, 166 F.3d 182, 190 (3d Cir. 1999)). The First Circuit has been silent about whether intentional infringement is required for an award of profits in any other situation. *Tamko*, 282 F.3d at 36.

In the Second Circuit, a plaintiff must always prove intentional infringement to justify an award of profits. *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1537 (2d Cir. 1992) ("a finding of defendant's willful deceptiveness is a prerequisite for awarding profits."). Although actual confusion is not always a requirement for an award of profits in the Second Circuit, it is required under certain circumstances. For example, "a profits award, premised upon a theory of unjust enrichment, requires a showing of actual consumer confusion—or at least proof of deceptive intent so as to raise the rebuttable presumption of consumer confusion." *Id.* at 1538. Likewise, "under the 'damage' theory of profits, a plaintiff typically has been required to show consumer confusion resulting from infringement." *Id.* at 1539.

The Ninth Circuit holds that when a plaintiff seeks an award of profits for any reason other than

as a proxy for its lost sales, the plaintiff must prove intentional infringement. *Adray v. Adry-Mart, Inc.*, 76 F.3d 984, 988 (9th Cir. 1995) ("Adray conceded that he did not seek to recover Adry-Mart's profits as a measure of his own lost sales, since he disclaimed any intent to seek damages based on lost sales. In these circumstances, Adray could recover Adry-Mart's profits only if the infringement was willful.") (citations omitted). The Ninth Circuit does not, however, require actual confusion. *Gracie v. Gracie*, 217 F.3d 1060, 1068 (9th Cir. 2000) ("[U]nder our precedents a showing of actual confusion is not necessary to obtain a recovery of profits.") (citation omitted).

The Tenth Circuit always requires intentional infringement for an award of profits. *Bishop v. Equinox Int'l Corp.*, 154 F.3d 1220, 1223 (10th Cir. 1998) ("[A]n award of profits requires a showing that defendant's actions were willful or in bad faith.") (citation omitted). Proof of actual confusion is not a prerequisite for an award of profits. *Estate of Bishop v. Equinox Int'l Corp.*, 256 F.3d 1050, 1055 (10th Cir. 2001) ("[A] showing of actual damages is not required to recover a portion of an infringing defendant's profits in a trademark action.") (citation omitted).

Like the Second and Tenth Circuits, the D.C. Circuit always requires intentional infringement for an award of profits. *ALPO Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958, 968 (D.C. Cir. 1990) ("[A]n award based on a defendant's profits requires proof that the defendant acted willfully or in bad faith.") (citations omitted). Although the

D.C. Circuit has not specifically held that actual confusion is required, it has rejected deterrence as a basis for an award of profits. *Id.* at 969 ("[W]e hold that deterrence alone cannot justify" the "severe and often cumbersome remedy of a profits award.") (citation omitted). The D.C. Circuit has also held that any monetary award should bear a causal link with the defendant's conduct. As then-Judge Thomas observed:

> [T]he court must ensure that the record adequately supports all items of damages claimed and establishes a causal link between the damages and the defendant's conduct, lest the award become speculative or violate section 35(a)'s prohibition against punishment.

Id. Consequently, the D.C. Circuit would not award profits in the absence of actual confusion, as there would be no "causal link" between the defendant's profits and the infringement.

In the Federal Circuit, "a plaintiff must show actual confusion" to establish entitlement to any kind of monetary relief. *Conopco, Inc. v. May Dep't Stores Co.*, 46 F.3d 1556, 1563 (Fed. Cir. 1994). The circuit has not addressed whether a plaintiff must also prove willful infringement.

* * *

Now is the time for the Court to bring clarity to the "profits" provision of the Lanham Act. As discussed above, the circuits have struggled long

and hard to establish the proper criteria for an award of profits. Each circuit has settled on criteria, but the criteria diverge fundamentally from circuit to circuit, causing several appellate courts to take note of the confusion. *See, e.g.*, *Banjo Buddies*, 399 F.3d at 174-175 (acknowledging "the wealth of contrary authority" in other circuits); *Quick Techs.*, 313 F.3d at 347-48 ("cognizant that several of our sister circuits have embraced a willfulness requirement"); *George Basch Co.*, 968 F.2d at 1537-40 ("cases are ambiguous").

Indeed, although various views about the proper criteria of the profits provision are expressed in the academic literature, there is scholarly agreement that this Court should review the question. *See, e.g.*, David S. Almeling, *The Infringement-Plus-Equity Model: A Better Way to Award Monetary Relief in Trademark Cases*, 14 J. INTELL. PROP. L. 205, 207 (2007) ("The courts themselves are split on this question."); Keith M. Stolte, *Remedying Judicial Limitations on Trademark Remedies: An Accounting of Profits Should Not Require a Finding of Bad Faith*, 87 TRADEMARK REP. 271, 298 (1997) ("[T]he Supreme Court should review the question of whether the Lanham Act requires proof of bad faith in order for a trademark owner to recover any portion of an infringer's profits."); James M. Koelemay, Jr., *Monetary Relief for Trademark Infringement Under the Lanham Act*, 72 TRADEMARK REP. 458, 253-64 (1982) (hereinafter, "*Monetary Relief*") ("On the key issue of scienter, a clear split has developed among the Circuits that may warrant Supreme Court review.").

II. THE LANHAM ACT REQUIRES PROOF OF INTENTIONAL INFRINGEMENT AND ACTUAL CONFUSION FOR AN AWARD OF PROFITS

Contrary to the decision below, an award of profits under 15 U.S.C. § 1117(a) requires proof of both intentional infringement and actual customer confusion. These requirements are necessary to provide an adequate evidentiary basis for the damages award.

A. A Plaintiff Must Prove Intentional Infringement For An Award Of Profits

Under the prevailing common law at the time of the enactment of the Lanham Act, a plaintiff could not obtain an award of the defendant's profits without proving willful infringement. *See* Mark A. Thurmon, *Confusion Codified: Why Trademark Remedies Make No Sense*, 17 J. INTELL. PROP. L. 245, 283 (2010) ("[B]y the time the Lanham Act was enacted, one could say with some certainty that a plaintiff in a trademark case had to prove deceptive intent to obtain a defendant's profits.") (collecting cases); HARRY D. NIMS, THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS 1078 (3d ed. 1929) (the leading trademark treatise of the period, observing that "[a]n accounting will not be ordered where the infringing party acted innocently and in ignorance of the plaintiff's rights"). The "purpose of the Lanham Act was to codify and unify the common law of unfair competition and trademark protection." *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 861 n.2 (1982) (citing S. Rep. No. 79-

1333 (1946), *as reprinted in* 1946 U.S.C.C.A.N. 1274).[5] Because intentional infringement was already a requirement under the common law, Congress did not need to make this requirement explicit in section 1117(a). *See, e.g., Cannon v. Univ. of Chicago*, 441 U.S. 677, 699 (1979) ("In sum, it is not only appropriate but also realistic to presume that Congress was thoroughly familiar with . . . precedents from this and other federal courts and that it expected its enactment to be interpreted in conformity with them.").

To be sure, in 1999, Congress amended section 1117(a) to restrict the award of profits in dilution cases to claims for "willful" dilution. *See* Trademark Amendments Act of 1999, Pub. L. No. 106-43, § 3(b), 113 Stat. 218, 219 (1999); 15 U.S.C. § 1117(a) (1998). Thereafter, some courts held that the profits provision did not require intentional infringement because only the dilution claims were singled out by the 1999 amendment. *Quick Techs.*, 313 F.3d at 347-50; *Banjo Buddies,* 399 F.3d at 168, 174-75. But "the 1999 amendment of Lanham Act

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[5] *See also* Robert C. Denicola, *Some Thoughts on the Dynamics of Federal Trademark Legislation and the Trademark Dilution Act of 1995*, 59 LAW & CONTEMP. PROBS. 75, 79-80 (1996) ("Putting aside statutory innovations directly linked to the public notice provided by the Act's registration system, the Lanham Act codifies the basic common law principles governing both the subject matter and scope of protection.") (footnote omitted); Kenneth L. Port, *The Illegitimacy of Trademark Incontestability*, 26 IND. L. REV. 519, 520 (1993) ("Lanham Act's primary, express purpose was to codify the existing common law of trademarks and not to create any new trademark rights.").

§ 35(a) was not intended to change the law by removing willfulness as a requirement for an award of profits in a classic infringement case." J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARK AND UNFAIR COMPETITION § 30:62 (4th ed. Supp. 2010) (hereinafter MCCARTHY); *see also Malletier v. Dooney & Bourke, Inc.*, 500 F. Supp. 2d 276, 281 (S.D.N.Y. 2007) ("[T]he addition of 'willful violation under section 1125(c)' does not indicate that it was Congress's intention to simultaneously *sub silentio* overturn the weight of authority with respect to section 1125(a)").

B. A Plaintiff Must Prove Actual Confusion For An Award Of Profits

Requiring proof of actual confusion for an award of profits is consistent with the traditional use of a defendant's profits as a proxy for a plaintiff's lost sales. As this Court stated long ago, "the award of profits is designed to make the plaintiff whole for losses which the infringer has caused by taking what did not belong to him." *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 206 (1942).[6] Under this traditional approach, proof of actual confusion provided the necessary causal

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[6] See also MCCARTHY § 30:64 ("Under the older, traditional view of the function of an accounting of an infringer's profits, an accounting was regarded as merely another way of measuring plaintiff's loss. An accounting was thought proper only as an indirect measure of the plaintiff's injury; that is, only if some relationship between the infringer's profits and the plaintiff's injury could be inferred.").

connection between the infringement and the remedy to justify an award of profits. *See, e.g., G.H. Mumm Champagne v. E. Wine Corp.*, 142 F.2d 499, 501 (2d Cir. 1944) ("It is of course true that to recover damages or profits, whether for infringement of a trade mark or for unfair competition, it is necessary to show that buyers, who wished to buy the plaintiff's goods, have been actually misled into buying the defendant's.").

Courts that have adopted other rationales for the profits award, such as unjust enrichment and deterrence, do not always require the plaintiff to prove "actual confusion." This is error.

The unjust enrichment rationale requires proof of actual confusion among customers. A plaintiff that cannot show actual confusion cannot attribute the defendant's profits or any lost sales to the infringement. *See, e.g., Badger Meter, Inc. v. Grinnell Corp.*, 13 F.3d 1145, 1157 (7th Cir. 1994) ("Items alleged as either unjust enrichment to the defendant or damages suffered by the plaintiff must, of course, have been caused by the infringement itself.").

Several circuits, including the Fourth Circuit, have decided not to impose an actual confusion requirement because an award of profits is, in these courts' view, sometimes justified to deter future conduct. *See, e.g., Synergistic*, 470 F.3d at 176 ("public interest in making the infringing misconduct unprofitable" may justify an award of profits); *Otis Clapp & Son, Inc. v. Filmore Vitamin Co.*, 754 F.2d 738, 744 (7th Cir. 1985) ("The trial

court's primary function is to make violations of the Lanham Act unprofitable to the infringing party"); *see also Burger King Corp.*, 855 F.2d at 781 ("An accounting for profits has been determined by this Court to further the congressional purpose by making infringement unprofitable, and is justified because it . . . provides a deterrent to similar activity in the future.").

An award of profits based on deterrence contravenes section 1117(a)'s explicit admonition that any sum that the court sets for recovery of profits must constitute only "compensation and not a penalty." 15 U.S.C. § 1117(a). Deterrence is a rationale underlying punitive, not compensatory, damages. *See Pac. Mut. Life Ins. Co. v. Haslip*, 499 U.S. 1, 19 (1991) (under most states' laws, "punitive damages are imposed for purposes of retribution and deterrence"). Thus, at least one circuit has rejected deterrence as a proper basis for awarding profits. *ALPO Petfoods*, 913 F.2d at 969 ("deterrence alone cannot justify" an award of profits).

Moreover, for an award of profits to constitute "compensation and not a penalty," the award of profits must be rationally related to the plaintiff's damages or the defendant's unjust enrichment. *Bandag, Inc. v. Al Bolser's Tire Stores, Inc.*, 750 F.2d 903, 917 (Fed. Cir. 1984). To be compensation, the measure of damages must "exhibit a strictly rational correlation [with] the rights appropriated." *Id.* at 920. In other words, there must be a "causal link" between the measure of damage and the infringement. *ALPO Petfoods*, 913 F.2d at 969. In

the absence of actual confusion, no such causal link is present, and the award of profits ceases to be compensation.

C. Due Process Principles Confirm That A Plaintiff Must Prove Intentional Infringement And Actual Confusion For An Award Of Defendant's Profits

If section 1117(a) allowed district courts to award a defendant's profits without proof of willfulness and actual confusion, section 1117(a) would raise serious due process concerns. *See Haslip*, 499 U.S. at 18 (unlimited judicial discretion "in the fixing of punitive damages may invite extreme results that jar one's constitutional sensibilities"). As one commentator explains, because of the "harsh results frequently produced by the accounting remedy, this rule is reminiscent of a rule applied by some jurisdictions to punitive damages." *Monetary Relief*, 72 TRADEMARK REP. at 501 (footnotes omitted).

Yet, in the Fourth Circuit's view, the "Lanham Act gives little guidance on the equitable principles to be applied by a court in making an award of damages." *Synergistic*, 470 F.3d at 174. Reflecting this concern, other courts have acknowledged that a district court's discretion to award profits "must operate within legally defined parameters," *George Basch Co.*, 968 F.2d at 1537, and that the discretion of courts "to award [monetary] remedies has limits," *ALPO Petfoods*, 913 F.2d at 968. The requirements of intentional infringement and

actual confusion must confine the discretion of courts to conform to basic principles of due process.

III. THE CRITERIA FOR AWARDING PROFITS UNDER THE LANHAM ACT IS A QUESTION OF RECURRING AND SUBSTANTIAL IMPORTANCE

The extensive circuit disagreement about the profits provision of the Lanham Act undermines a key justification for the Act. The Act reflects congressional awareness that "trade is no longer local, but is national." S. Rep. No. 79-1333, at 5. Congress enacted a national trademark regime precisely because it was not content with trademark rights differing "widely" from one place to another. *Id.* Rather than differing from state to state, trademark law now differs from circuit to circuit. That is not the result Congress intended. To the contrary, Congress wanted the profits provision of the Lanham Act to operate in the same fashion throughout the nation.

With thousands of trademark infringement cases filed each year, an entrenched and long-standing circuit split on the profits provision does great damage to the Lanham Act's aspiration of a federal trademark regime. According to data collected by the Administrative Office of the U.S. Courts, more than 3,000 trademark cases were

commenced each of the past ten years.[7] As the numerous cases discussed above illustrate, the profits provision is a perpetual feature of trademark litigation.

Reflecting its central place in the trademark law regime, many scholars have studied the proper operation of the Lanham Act's profits provision. *See, e.g.*, J. GILSON, TRADEMARK PROTECTION AND PRACTICE § 14.03[6][c](i) (2005); MCCARTHY § 30:62; Danielle Conway-Jones, *Remedying Trademark Infringement: The Role of Bad Faith In Awarding An Accounting of Defendants' Profits*, 42 SANTA CLARA L. REV. 863 (2002); Eugene W. Luciani, *Note, Does The Bad Faith Requirement In Accounting of Profits Damages Make Economic Sense?*, 6 J. INTELL. PROP. L. 69, 78-82 (1998).

Furthermore, the profits provision warrants review by this Court because in certain circuits intellectual property owners are once again gaining rewards far beyond those necessary to promote progress. This Court has repeatedly cautioned against the misuse of intellectual property laws. *See, e.g., Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29 (2001) ("careful to caution against misuse or over-extension of trade dress"). Congress struck a delicate balance in trademark law by authorizing an award of a defendant's profits, but only if the award of profits was equitable and not punitive. But, as discussed

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[7] *See* JUDICIAL BUSINESS OF THE U.S. COURTS, http://www.uscourts.gov/Statistics/JudicialBusiness.aspx.

above, many circuits are permitting trademark owners to walk off with an award of a defendant's profits far too easily. The Court must step in to halt the unwarranted expansion of intellectual property protection at the expense of competitive interests.

IV. THIS CASE IS AN IDEAL VEHICLE TO CLARIFY THE CRITERIA FOR AWARDING PROFITS UNDER THE LANHAM ACT

This case is an ideal vehicle to clarify whether an award of defendant's profits under the Lanham Act is permissible in the absence of either intentional infringement or actual customer confusion. The record is clear that the jury found no intentional infringement. App. 25a, 43a. So too, the record is clear that the profits award is not based on any actual confusion among customers. App. 26a-27a; *see also* J.A. 1279-80 ("We are not claiming actual damages through lost sales of Mattel."). Nevertheless, the Fourth Circuit affirmed a $1 million defendant's profits award.

* * *

CONCLUSION

The petition for review should be granted.

Respectfully submitted,

THOMAS ZELLERBACH
KHAI LEQUANG
ORRICK, HERRINGTON
& SUTCLIFFE LLP
1000 Marsh Road
Menlo Park, California
94025
(650) 614-7400

E. JOSHUA ROSENKRANZ
Counsel of Record
MARK DAVIES
ORRICK, HERRINGTON
& SUTCLIFFE LLP
51 West 52nd Street
New York, New York
10103
jrosenkranz@orrick.com
(212) 506-5000

November 4, 2010

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UNPUBLISHED

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 09-1397

SUPER DUPER, INCORPORATED, d/b/a Super Duper Publications,

Plaintiff - Appellant,

v.

MATTEL, INCORPORATED, a Delaware Corporation,

Defendant – Appellee.

Appeal from the United States District Court for the District of South Carolina, at Greenville. Henry F. Floyd, District Judge. (6:05-cv-01700-HFF)

Argued: March 24, 2010 Decided: June 10, 2010

Before SHEDD and AGEE, Circuit Judges, and HAMILTON, Senior Circuit Judge.

Affirmed by unpublished per curiam opinion.

ARGUED: Thomas Edward Vanderbloemen, GALLIVAN, WHITE & BOYD, PA, Greenville, South Carolina, for Appellant. Thomas Henderson Dupree, Jr., GIBSON, DUNN & CRUTCHER, LLP,

Washington, D.C., for Appellee. **ON BRIEF:** W. Howard Boyd, Jr., Jennifer E. Johnsen, Adam C. Bach, GALLIVAN, WHITE & BOYD, PA, Greenville, South Carolina; Steven R. LeBlanc, DORITY & MANNING, P.A., Greenville, South Carolina, for Appellant. Dace A. Caldwell, GIBSON, DUNN & CRUTCHER, LLP, Washington, D.C., for Appellee.

Unpublished opinions are not binding precedent in this circuit.

PER CURIAM:

Mattel, Incorporated ("Mattel") opposed the registration of several of Super Duper, Incorporated's ("Super Duper") trademarks in the United States Patent and Trademark Office ("USPTO") based on their alleged infringement of Mattel's preexisting marks. After the parties' efforts to reach a settlement failed, Super Duper filed a declaratory judgment action in the United States District Court for the District of South Carolina, requesting the court rule that its trademarks did not violate Mattel's intellectual property rights. Mattel counterclaimed, alleging that Super Duper had engaged in trademark infringement, trademark dilution, unfair competition, and fraud upon the USPTO.

After a week-long trial, a jury found that Super Duper's use of seven trademarks infringed

upon and/or diluted four of Mattel's preexisting marks and awarded Mattel $400,000 in damages.[1] Post-trial, Super Duper renewed its motion for judgment as a matter of law and Mattel moved for a permanent injunction, order of cancellation, increased profits, and an award of attorneys' fees and costs. The district court denied Super Duper's motion but granted those of Mattel by increasing the damages award to $999,113 and providing Mattel with $2,643,844.15 in attorneys' fees. Super Duper filed a timely appeal and we have jurisdiction under 28 U.S.C. § 1291.

On appeal, Super Duper challenges (1) the district court's denial of its motion for judgment as a matter of law, (2) multiple instructions submitted to the jury, and (3) the district court's award of increased profits and attorneys' fees. Our review of the record reveals no error requiring reversal. Accordingly, we affirm the judgment of the district court.

I.

We review de novo Super Duper's initial argument that the district court erred in denying its motion for judgment as a matter of law on Mattel's

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[1] The jury concluded that Super Duper's use of its SEE IT! SAY IT!, SAY AND SING, FISH AND SAY, FISH & SAY, SORT AND SAY, SORT & SAY, and SAY AND SORT trademarks infringed Mattel's SEE 'N SAY, SEE 'N SAY JUNIOR, SEE 'N SAY BABY, and THE FARMER SAYS marks. The jury also concluded that Super Duper's use of its SEE IT! SAY IT!, SAY AND SING, FISH AND SAY, FISH & SAY, SORT AND SAY, SORT & SAY, and SAY AND SORT trademarks was likely to dilute Mattel's famous SEE 'N SAY and THE FARMER SAYS marks.

claims for trademark infringement and trademark dilution. See Dotson v. Pfizer, Inc., 558 F.3d 284, 292 (4th Cir. 2009). Judgment as a matter of law is appropriate only when "there is no legally sufficient evidentiary basis for a reasonable jury to find for the non-moving party." Int'l Ground Transp., Inc. v. Mayor & City Council of Ocean City, 475 F.3d 214, 218 (4th Cir. 2007) (quotation omitted). In considering the evidence presented at trial, we do "not make credibility determinations or weigh the evidence," as "[c]redibility determinations, the weighing of the evidence, and the drawing of legitimate inferences from the facts are jury functions, not those of a judge." Reeves v. Sanderson Plumbing Prods., Inc., 530 U.S. 133, 150 (2000) (quotation omitted).

After reviewing the record in the light most favorable to Mattel and disregarding all evidence favorable to Super Duper "that the jury [was] not required to believe," id. at 150-51, we cannot say that the evidence "supports only one reasonable verdict." Dotson, 558 F.3d at 292 (quotation omitted). The evidence presented at trial was sufficient for the jury to conclude that the simultaneous use of Mattel's and Super Duper's marks would (1) create a likelihood of confusion in the mind of an "appreciable number of ordinarily prudent purchasers" regarding the "source of the goods in question," Perini Corp. v. Perini Constr., Inc., 915 F.2d 121, 127 (4th Cir. 1990) (quotations omitted), and (2) "'impair[ ] the distinctiveness of [Mattel' s] famous mark[s].'" Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC, 507 F.3d 252, 264 (4th Cir. 2007) (quoting 15 U.S.C. § 1125(c)(2)(B)).

In regard to trademark infringement, Super Duper argues, inter alia, that Mattel failed to offer any evidence of actual confusion over a significant period of concurrent use of the marks and that there are many distinctions between its business and products and those of Mattel. We find these arguments unpersuasive. While it is true that a lack of "evidence of actual confusion over a substantial period of time" may create "a strong inference" of no likelihood of confusion, CareFirst of Maryland, Inc. v. First Care, P.C., 434 F.3d 263, 269 (4th Cir. 2006), the absence of such proof does not preclude a party from proving a likelihood of confusion based on a compilation of other evidence. It is, after all, "well established that no actual confusion is required to prove a case of trademark infringement."[2] Louis Vuitton, 507 F.3d at 263.

Furthermore, under these facts, the inference to be drawn from Mattel's lack of evidence of actual confusion was a matter properly submitted to the jury. See Reeves, 530 U.S. at 150 (noting that gleaning "inferences from the facts" is a "jury function[ ]"). Super Duper places great emphasis on the fact that its marks were in use for five-to-nine years before the start of trial in 2008, and that

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[2] See also CareFirst, 434 F.3d at 269 ("[P]roof of actual confusion is not necessary to show a likelihood of confusion . . . ."); Sara Lee Corp. v. Kayser-Roth Corp., 81 F.3d 455, 463 (4th Cir. 1996) ("[E]vidence of actual confusion is unnecessary."); Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc., 43 F.3d 922, 933 (4th Cir. 1995) ("[T]his Court has emphasized that a trademark owner need not demonstrate actual confusion."); AMP Inc. v. Foy, 540 F.2d 1181, 1186 (4th Cir. 1976) ("[A]ctual confusion is not an essential element in establishing a likelihood to confuse . . . .").

Mattel produced no evidence of actual confusion during that time. Mattel, however, first challenged Super Duper's use of its trademarks in the USPTO in 2004. The jury could reasonably conclude that Mattel's administrative challenge affected the manner in which Super Duper used and publicized its marks during the relevant period.

We also reject Super Duper's assertion that the jury should have weighed additional likelihood-of-confusion factors differently, such as differences in the parties' products, marks, and facilities. Because the likelihood-of-confusion analysis "depends on varying human reactions to situations incapable of exact appraisement," we treat the likelihood of confusion as an "inherently factual issue that depends on the facts and circumstances in each case." Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc., 43 F.3d 922, 933 (4th Cir. 1995) (quotations omitted). As a "cross-section of consumers," the jury is particularly "well-suited to evaluating whether an 'ordinary consumer' would likely be confused." Anheuser-Busch, Inc. v. L&L Wings, Inc., 962 F.2d 316, 318 (4th Cir. 1992)." Our function on appeal is not to "weigh the evidence," but to determine if the "record as a whole" supports the jury's verdict. Reeves, 530 U.S. at 150-51. We conclude that Mattel met that standard.

Super Duper's arguments in relation to Mattel's trademark dilution claims fare no better, as they primarily focus on the lack of survey evidence and expert testimony as to the likelihood of dilution. Our precedent does not support the proposition that the successful prosecution of a trademark dilution claim mandates the production of survey evidence or

expert testimony. See Louis Vuitton, 507 F.3d at 266 ("To determine whether a junior mark is likely to dilute a famous mark through blurring, the TDRA directs the [trier of fact] to consider all factors relevant to the issue, including six factors that are enumerated in the statute. . . ."). Of course, such evidence may prove helpful to the jury, but it is not required. Cf. id. at 266 ("Not every factor will be relevant in every case, and not every blurring claim will require extensive discussion of the factors.").

As we have explained, the jury was well situated to make the factual determination that Mattel's marks were "famous," that sufficient similarity existed between Super Duper's and Mattel's marks, and that this association was likely to impair the distinctiveness of Mattel's "famous" marks. See id. at 264-65. The Trademark Dilution Revision Act ("TDRA") requires nothing more, see 15 U.S.C. § 1125(c), and we are prohibited from reweighing the evidence or drawing inferences from the facts. See Reeves, 530 U.S. at 150.

II.

We now turn to Super Duper's claims that multiple instructions submitted to the jury failed to correctly state the law and require reversal of the judgment. "[I] t is well settled that a trial court has broad discretion in framing its instructions to a jury." Volvo Trademark Holding Aktiebolaget v. Clark Mach. Co., 510 F.3d 474, 484 (4th Cir. 2007). We accordingly review the district court's jury instructions only "for abuse of discretion," although we "review de novo claims that the jury instructions failed to correctly state the law." Id. Affirmance is required so long as the instructions given by the

district court, "taken as a whole," "adequately state the controlling law." Id. (quotation omitted). In other words, we will reverse based on "error in jury instructions only if the error is determined to have been prejudicial, based on a review of the record as a whole." Abraham v. County of Greenville, 237 F.3d 386, 393 (4th Cir. 2001) (quotation omitted).

Super Duper first contends that the district court's instructions eliminated Mattel's burden of proving a likelihood of confusion by a preponderance of the evidence. We disagree. While the district court erred in instructing the jury that "[a]ny doubt regarding the outcome of the likelihood of confusion analysis must be resolved in favor of Mattel,"[3] Joint Appendix ("J.A.") at 2001, the jury instructions as a whole adequately and correctly stated the controlling law.

For example, the district court informed the jury that "Mattel ha[d] the burden of proving" the elements of a trademark infringement claim "by a preponderance of the evidence" and the jury was instructed to find in Super Duper's favor if "Mattel failed to prove any of" the requisite elements of a trademark infringement claim. Id. at 1998. The special verdict form also specifically asked the jury to determine whether "Mattel ha[d] proven by a preponderance of the evidence that any of Super Duper's trademarks . . . infringe[d] Mattel's

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[3] As the Supreme Court explained in KP Permanent Make-Up, Inc. v. lasting Impression I, Inc., 543 U.S. 111 (2004), the defendant in a trademark-infringement suit "has no free-standing need to show confusion unlikely" and is merely required "to leave the factfinder unpersuaded that the plaintiff has carried its own burden on that point." 543 U.S. at 120-21.

trademarks." Id. at 2034. Super Duper is accordingly unable to establish that the district court's error was "prejudicial" in light of the "record as a whole."[4] Abraham, 237 F.3d at 393 (quotations omitted).

Next, Super Duper argues the district court erred in instructing the jury that a lack of "evidence of actual confusion" is a "factor [that] is neutral and does not favor either party." J.A. at 2013. We have already recognized that whether there was a significant period of concurrent use of Super Duper' s and Mattel's marks without any evidence of actual confusion was a factual matter best left to the jury's determination. See Reeves, 530 U.S. at 150 (recognizing that "the weighing of the evidence, and the drawing of legitimate inferences from the facts are jury functions, not those of a judge"). Accordingly, the district court did not abuse its discretion in instructing the jury that an absence of evidence of actual confusion, in and of itself, was a neutral factor.[5] See AMP Inc., 540 F.2d at 1186

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[4] In light of our opinion in AMP Inc. v. Foy, 540 F.2d 1181 (4th Cir. 1976), we also reject Super Duper's challenge to the district court's instruction that if the jury found Mattel's trademarks to be strong marks, "Super Duper's trademarks (as the latecomer) must be substantially different from Mattel's trademarks to avoid a finding of infringement." J.A. at 2012; see AMP Inc., 540 F.3d at 1187 (citing "a respectable body of authority" that holds that "the second comer has a duty to so name and dress his product as to avoid all likelihood of consumers confusing it with the product of the first comer") (emphasis added) (quotation omitted).

[5] The district court did not abuse it discretion in refusing to grant Super Duper's request for a sophisticated user instruction, as Sharon Webber, the co-owner of Super Duper, testified at trial that Super Duper sold its goods to the "[v]ery

("[A]ctual confusion is not an essential element in establishing a likelihood to confuse . . . .").

Super Duper also contends that several aspects of the district court's instructions suggested that the jury could impose liability based solely on the similarity of Super Duper's and Mattel's trademarks. But see Commc'ns Satellite Corp v. Comcet, Inc., 429 F.2d 1245, 1252 (4th Cir. 1970) ("Resemblance of the marks is not alone sufficient to establish the likelihood of confusion."). On appeal, however, "we do not view a single instruction in isolation; rather we consider whether taken as a whole and in the context of the entire charge, the instructions accurately and fairly state the controlling law." United States v. Rahman, 83 F.3d 89, 92 (4th Cir. 1996). We conclude that, in this case, the instructions given to the jury fairly state the controlling law.

For example, the district court's instruction regarding the elements of a trademark infringement claim specified seven factors the jury should consider in reaching its verdict: (1) the strength of Mattel's trademarks, (2) the similarity of Mattel's and Super Duper's trademarks, (3) the similarity of the goods that the trademarks identify, (4) the similarity of the parties' business facilities, (5) the similarity of the

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general public." J.A. at 675. Nor did the district court abuse its discretion in instructing the jury that the "ultimate consumers of Super Duper's products" were "children." Id. at 2013; see Lyons Partnership, L.P. v. Morris Constumes, Inc., 243 F.3d 789, 802 (4th Cir. 2001) (holding that "the similarity of child-oriented works must be viewed from the perspective of the child audience for which the products were intended") (quotation omitted).

parties' advertising, (6) Super Duper's intent in selecting its trademarks, and (7) any actual confusion between Super Duper's and Mattel's products or trademarks. Only the second factor related to "the similarity of Mattel's trademarks and Super Duper's trademarks." [6] J.A. at 2000. Furthermore, the court clearly explained that "[t]he presence or absence of any particular factor . . . should not necessarily resolve whether there is a likelihood of confusion" because the jury "must consider all [of the] relevant evidence." Id.

Moreover, the district court's specific instruction on the factor relating to the similarity of the parties' trademarks clarified that "[t]rademarks are not to be evaluated in a side by side comparison test," such as "a meticulous comparison in court." Id. at 2008. Rather, "[i]t is the overall impression created by the trademark from the ordinary consumer's cursory observation in the marketplace that will or will not lead to a likelihood of confusion." Id. (emphasis added). It was thus made clear to the jury that all relevant market-related factors must be taken into account in determining whether marks are similar and whether a likelihood of confusion ultimately exists.

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[6] While the district court erred in giving an instruction that fleetingly referred to the "similarity" between Super Duper's and Mattel's trademarks, J.A. at 2000, Super Duper failed to lodge an objection on this basis in the district court. Our review is consequently only for plain error, see United States v. Jeffers, 570 F.3d 557, 564 n.4 (4th Cir. 2009), and Super Duper cannot establish that this overlooked comment caused it prejudice. See United States v. Stitt, 250 F.3d 878, 884 (4th Cir. 2001) (noting that "actual prejudice [is] required by the third prong of plain-error review").

That the district court instructed the jury that "similarities" in the parties' marks "weigh more heavily than differences," J.A. at 2008, does not alter our analysis. Although we have stated that, in assessing the similarity of marks, courts do not "confine their scrutiny merely to similarities," Petro Stopping Ctrs., L.P. v. James River Petroleum, Inc., 130 F.3d 88, 94 (4th Cir. 1997), the district court's instruction did not remove the marks' dissimilarities from the jury's consideration. Indeed, the jury's search for similarities between Super Duper's and Mattel's marks would necessarily reveal the marks' dissimilarities, as similarity and dissimilarity are but two sides of the same coin.

Super Duper's argument as to the district court's mark-pairings instruction similarly lacks merit. The instruction in question simply stated that "the mere presence of a house mark, e.g., the name Super Duper, does not avoid a finding of likelihood of confusion as between two marks." Id. at 2008. In short, this instruction correctly explained that placement of Super Duper's house mark on its product packaging did not ipso facto foreclose the possibility that a likelihood of confusion existed between Super Duper's trademarks and those of Mattel. See CareFirst, 434 F.3d at 271-72 (recognizing that the effect of a mark pairing depends on the strength of the allegedly infringed mark, as well as any "differences in the public presentations of the[ ] marks" that would "significantly reduce the likelihood of confusion").

III.

Finally, Super Duper contests the district court's award of increased profits and attorneys' fees to Mattel. Super Duper's argument in this regard is predicated on the section of the TDRA that specifies that a plaintiff prevailing under the likelihood of dilution standard may only recoup profits, damages, costs, and attorneys' fees if "the mark . . . that is likely to cause dilution by blurring . . . was first used in commerce by the person against whom [relief] is sought after October 6, 2006." 15 U.S.C. § 1125(c)(5)(A). Although Super Duper is correct that its trademarks were in use before October 6, 2006, Super Duper failed to raise anything remotely resembling this argument in its Rule 50(a) motion for judgment as a matter of law. See Exxon Shipping Co. v. Baker, 128 S. Ct. 2605, 2617 n.5 (2008) ("A motion under Rule 50(b) is not allowed unless the movant sought relief on similar grounds under Rule 50(a) before the case was submitted to the jury."). We accordingly review this issue only for plain error. See Price v. City of Charlotte, 93 F.3d 1241, 1248-49 (4th Cir. 1996).

Under the facts of this case, we decline to exercise our discretion to correct the error.[7] See Olano, 507 U.S. 725, 732 (1993) (noting that "the decision to correct [a] forfeited error [is] within the sound discretion of the court of appeals, and the court should not exercise that discretion unless the

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[7] See also Corti v. Storage Tech. Corp., 304 F.3d 336, 341 (4th Cir. 2002) ("Before we can exercise our discretion to correct an error not raised below in a civil case, at a minimum, the requirements of United States v. Olano, 507 U.S. 725 (1993), must be satisfied.").

error 'seriously affect[s] the fairness integrity or public reputation of judicial proceedings.'" (quoting United States v. Young, 470 U.S. 1, 15 (1985))). The award of profits and attorneys' fees and costs in this case was independently justified by the jury's conclusion that Super Duper's use of seven trademarks infringed four of Mattel's preexisting marks. See 15 U.S.C. §§ 1117(a) & 1125(a) .

We recognize that the jury awarded no damages based on its finding of trademark infringement. But the award of $999,113 in lost profits now at issue was made by the district court, rather than the jury. Section 1117(a) specifically provides that, in cases like the one currently before us in which a plaintiff establishes trademark infringement under § 1125(a), "[i]f the court. . . find[s] that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case." In this case, the district court found the jury's award of $400,000 in lost profits inadequate and increased the award to $999,113, the amount of lost profits Mattel's expert testified was attributable to Super Duper's seven infringing marks.

Super Duper has simply failed to establish that the district court's award of lost profits would have differed had it not considered the jury's finding of trademark dilution. Accordingly, we decline to exercise our discretion to correct the district court's error in regard to the award of profits under the

TDRA.[8] See Stitt, 250 F.3d at 884 (noting that "actual prejudice [is] required by the third prong of plain-error review") (quotation omitted); see also United States v. Robinson, 460 F.3d 550, 557 (4th Cir. 2006) ("[A]n appellant on plain error review bears the burden of persuasion with respect to prejudice.").

We further conclude that the district court did not err in determining that this was an "exceptional case" thus rendering the award of attorneys' fees appropriate under 15 U.S.C. § 1117(a). The district court adopted the reasoning set forth in Mattel's petition for attorneys' fees in concluding that this case was "exceptional." In tandem with the district

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[8] We reject Super Duper's contention that the district court erred in increasing Mattel's award of lost profits. The district court's ruling in this regard is consistent with the equitable factors laid down in Synergistic International, LLC v. Korman, 470 F.3d 162, 175 (4th Cir. 2006), and does not constitute an abuse of discretion. See Metric & Multistandard Components Corp. v. Metric's, Inc., 635 F.2d 710, 715 (8th Cir. 1980) ("[T]he district court is given broad discretion to award the monetary relief necessary to serve the interests of justice . . . ."). Nor are we persuaded that the court erred in failing to put a more restrictive time limitation on Mattel's award of lost profits. Indeed, Super Duper's reliance on our opinion in Lyons Partnership, L.P. v. Morris Costumes, Inc., 243 F.3d 789 (4th Cir. 2001) is misplaced. Although Lyons established that "the doctrine of laches may be applied to equitable claims brought under the Lanham Act," 243 F.3d at 799 (emphasis omitted), Mattel did not unreasonably delay in instituting its Lanham Act claims; therefore, the doctrine of estoppel by laches does not apply. See What-A-Burger of Va., Inc. v. Whataburger, Inc., 357 F.3d 441, 449 (4th Cir. 2004) ("Indeed, the key question, for purposes of estoppel by laches, is not simply whether there has been some delay, but whether that delay was unreasonable.") (emphasis in original).

court's own observation that the "jury considered . . . overwhelming evidence of [Super Duper's] wrongdoing and determined that it both infringed and intentionally diluted certain of [Mattel's] marks," J.A. at 2708, the reasons stated in Mattel's attorneys' fees petition are sufficient to uphold the district court's ruling that this was an "exceptional case." See Retail Servs., Inc. v. Freebies Publ'g, 364 F.3d 535, 550 (4th Cir. 2004) (recognizing that an "exceptional case" is "one in which the defendant's conduct was malicious, fraudulent, willful or deliberate in nature" (quotation omitted)).

Because Super Duper failed to preserve its objections to the specific billing items it contests on appeal and/or to cite to any portion of the record demonstrating that Mattel, in fact, recouped the associated attorneys' fees, we further hold that the district court did not abuse its discretion in granting Mattel's request for attorneys' fees in the amount of $2,643,844.15. See Am. Reliable Ins. Co. v. Stillwell, 336 F.3d 311, 320 (4th Cir. 2003) ("[W]e review a district court's decision awarding or denying attorney's fees and costs for abuse of discretion."). Super Duper has simply "provided us with no [valid] basis . . . to discern the degree to which it believes the district court abused its discretion," Jean v. Nelson, 863 F.2d 759, 772 (11th Cir. 1988), and "[w]e will not make arguments for [a party] that it did not make in its briefs." O'Neal v. Ferguson Constr. Co., 237 F.3d 1248, 1257 n.1 (10th Cir. 2001) (citing Fed. R. App. P. 28(a)(9)(A)). Accordingly, we find Super Duper's "argument without evidence unpersuasive, and conclude that the district court acted within its discretion in approving" the attorneys' fees

"described in the evidence before it." Gray v. Lockheed Aeronautical Sys. Co., 125 F.3d 1387, 1389 (11th Cir. 1997); see also Norman v. Hous. Auth. of the City of Montgomery, 836 F.2d 1292, 1301 (11th Cir. 1988) ("As the district court must be reasonably precise in excluding hours thought to be unreasonable or unnecessary, so should be the objections and proof from fee opponents.").

For the foregoing reasons, we affirm the judgment of the district court.

AFFIRMED

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF SOUTH CAROLINA
GREENVILLE DIVISION

SUPER DUPER, INC. d/b/a Super Duper Publications, a South Carolina Corporation,	§	**Filed** March 31, 2009
Plaintiff and Counterdefendant,	§	
vs.	§	CIVIL ACTION NO. 6:05-1700-HFF-WMC
MATTEL, INC., a Delaware Corporation,	§	
Defendant and Counterclaimant.	§	

ORDER

I. INTRODUCTION

Pending before the Court is Defendant's Motion for Entry of Judgment, for Permanent Injunction, for Order of Cancellation, and for Increased Profits Pursuant to 15 U.S.C. § 1117 or, in

the alternative, to Alter or Amend Judgment. Having carefully considered the motion, the response, the reply, the record, and the applicable law, it is the judgment of this Court that Defendant's Motion for Entry of Judgment will be granted as modified, Defendant's Motion for Permanent Injunction will be granted as modified, Defendant's Motion for Order of Cancellation will be granted, and Defendant's Motion for Increased Profits Pursuant to 15 U.S.C. § 1117 will be granted as provided herein.

II. DISCUSSION

A. Permanent Injunction

The parties appear to agree that the standard set out in *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006) is the appropriate one that the Court should employ to guide its decision as to whether a permanent injunction should issue in this matter. According to the *eBay* court, before a permanent injunction can properly issue, the movant must demonstrate

> (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

Id.

Defendant contends that each of the above-listed factors weighs in favor of the Court's granting

its motion for a permanent injunction barring Plaintiff from transporting, distributing, offering for sale, or selling any good bearing any of the marks that the jury in this matter found infringed and intentionally diluted Defendant's marks. The motion also asks the Court to require Plaintiff to deliver to Defendant for destruction all products, advertising and promotional material, packaging, or other material bearing any of the marks that the jury found infringed and intentionally diluted Defendant's marks.

Plaintiff argues that Defendant is not entitled to such a broad injunction and that the injunction that Defendant has proposed does not satisfy the test set out in *eBay*.

As to the first factor, in light of the jury's verdict, coupled with this Court's view of the evidence, the Court finds that Defendant has suffered irreparable injury as a result of Plaintiff's misconduct, namely that Plaintiff's SEE IT! SAY!, SAY AND SING, FISH AND SAY, FISH & SAY, SORT AND SAY, SORT & SAY, and SAY AND SORT trademarks infringed and intentionally diluted the distinctive nature of Defendant's SEE 'N SAY, SEE 'N SAY JUNIOR, SEE 'N SAY BABY, and THE FARMER SAYS trademarks. Regarding factor two, the Court further finds that monetary damages are an insufficient remedy to compensate Defendant for Plaintiff's continuing misbehavior.

Factor three also weighs in favor of the Court's entering a permanent injunction. As noted by Defendant,

> [a]s an adjudged infringer and diluter, [Plaintiff] cannot complain about any hardship. By contrast, there is a risk of substantial hardship to [Defendant] because [Plaintiff] sustained use of the Infringing Marks will only continue to irreparably harm the consumer goodwill that [Defendant] has established in its SEE 'N SAY trademarks and [Defendant's] reputation as a whole.

(Def.'s Rep. to Pl.'s Resp. to Def.'s Mot. for Entry of Judg. 5) (citation omitted). The fourth factor also favors the entry of a permanent injunction. The public interest is served when the Court's gives effect to a jury verdict. That is precisely what this permanent injunction does. Moreover, the public interest is also served when a company's unlawful conduct is ordered to be suspended. Again, that is precisely what this permanent injunction is tailored to do. In fact, the public interest would be disserved if a permanent injunction did not issue.

Consequently, Defendant's motion for a permanent injunction will be granted, with one exception. To the extent that Plaintiff renames and relabels its products that the jury found to be unlawful, then destruction of such products will be unnecessary. "In other words, [Plaintiff] can continue to sell and produce the [unlawfully named] product but it must be another name." (Trans. 1299:5-6.)

B. Order of Cancellation

Section 1119 of Title 15 of the United States Code provides that,

> [i]n any action involving a registered mark the court may determine the right to registration, order the cancel[l]ation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Director, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.

Id.

Defendant moves the Court to order the cancellation of the registration of Plaintiff's SEE IT! SAY IT1 and FISH & SAY marks and to foreclose the registration of SORT AND SAY. Plaintiff, however, argues that an order would be a waste of judicial resources and would place Plaintiff at a disadvantage during any further court proceedings.

At the request of Plaintiff, the jury has spoken on this issue and, inasmuch as it found that Plaintiff's SEE IT! SAY IT!, FISH & SAY and SORT AND SAY marks are unlawful, the duty of the Court is to give effect to the jury's decision. *Gracie v. Gracie*, 217 F.3d 1060, 1066 (9th Cir. 2000) ("In light of the jury verdict, which the district court allowed to stand, the district court should have ordered cancellation of [the offending mark].") Moreover, the Court notes that, it is not merely serving as a rubber stamp. Instead, it wholly agrees with the jury's opinion on this issue. Thus, the Court will enter judgment accordingly.

C. Adjustment of Award[1]

Defendant requests an increased award amount pursuant to 15 U.S.C. § 1117(a), which provides that

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. **In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding**

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[1] Judge Currie was recently faced with some of the same issues that this case presents. *See All American Title Loans v. Title Cash of South Carolina*, No. 3:05-1280-CMC, 2007 WL 1464580 (D.S.C. May 17, 2007). Given the thoroughness of her opinion, when appropriate, the Court has adopted much of the law cited in that case here.

> **three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case.** Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

15 U.S.C. § 1117(a) (emphases added).

Through its present motion, Defendant seeks to increase the amount awarded under the profits measure from $400,000 to $999,113, based on Defendant's expert's profit calculation. Whether to award an enhancement rests in the trial court's discretion. *Burger King Corp. v. Mason*, 710 F.2d 1480, 1495 (11th Cir. 1983) (noting also that district court may award extraordinary relief, including treble damages "*if* the district court believes that such an award would be just") (emphasis in original). The Court may also adjust an award of profits if the Court deems the award either excessive or inadequate. *Id.* Either action "clearly envisions the exercise of the trial judge's discretion." *Id.*

In deciding whether to grant Defendant's request, the Court considers the underlying purposes of the these provisions. They include deterring Plaintiff from further misconduct. *See Sands, Taylor & Wood v. Quacker Oats Co.*, 34 F.3d 1340, 1348 (7th Cir. 1994) (stating that remedial provisions are intended to "provide a sufficient deterrent to ensure

that the guilty party will not return to its former ways and once again pollute the marketplace"); *Mobius Management Systems, Inc., v. Fourth Dimension Software, Inc.*, 880 F. Supp. 1005, 1025 (S.D.N.Y. 1994) (noting that while punitive damages are not allowed under the Lanham Act, its treble "enhancement [provisions] may be used to deter further willful violations"). In addition, these provisions are used "to compensate a plaintiff for its actual injuries." *Getty Petroleum Corp. v. Barto Petroleum Corp.*, 858 F.2d 103, 113 (2d Cir. 1988). The Court may, therefore, "enhance a monetary recovery of damages or profits" or "award plaintiff a full accounting of an infringer's profits." *Id. See also Alpo Petfoods,, Inc. v. Ralston Purina Co.*, 997 F.2d 949, 955 (D.C. Cir. 1993) ("An enhancement is appropriate to compensate a Lanham Act plaintiff only for such adverse effects as can neither be dismissed as speculative nor precisely calculated. . . . Lost profits and market distortion are . . .appropriate bases for the catch-all enhancement. . . .").

The jury awarded less than the amounts sought by Defendant. And, although the Court agrees with the jury's evaluation of the evidence as to infringement and intentional dilution, it cannot say that it agrees with the jury's conclusions as to these measures of profits. The amounts awarded by the jury are neither sufficient to adequately compensate Defendant nor to deter Plaintiff from future misconduct. [2]

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[2] In fact, although not considered in the Court's making of this decision, Defendants have asserted, and Plaintiff has not denied, that Plaintiff continues its same unlawful conduct to this day.

Section 1117(a) provides, in relevant part, that "[i]n assessing profits the [trademark owner] shall be required to prove [the infringer's] sales only; [the infringer] must prove all elements of cost or deduction claimed. 15 U.S.C. § 1117(a). Having reviewed the evidence for the first time at trial, and then reviewing it again in the peace and quiet of chambers, the Court is persuaded that, although Defendant proved Plaintiff's sales, Plaintiff failed to prove the elements of costs and deductions that it claimed to offset those sales. Instead, it appears to the Court that many of the deductions that Plaintiff seeks to subtract from the sales are unsupported by any business records. [3]

Defendant's profit calculation is $999,113. The competent evidence in the record supports this calculation. Requiring Plaintiff to pay this amount will both fairly compensates Defendant and, hopefully, deter Plaintiff from any further unlawful conduct. Therefore, the Court will enter judgment for this amount. [4]

In an abundance of caution, in making this determination, the Court has also considered the following six factors in making this decision:

> (1) whether the defendant had the intent to confuse or deceive; (2) whether the sales

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[3] The Court is unpersuaded by any argument that the amount of profits should be decreased because of progressive encroachment. As stated above, Defendant was required only to prove the infringer's sales. It is Plaintiff's duty in this instance to prove any deductions. Its failure to do so is fatal to this claim.

[4] This amount "constitute[s] compensation and not a penalty." 15 U.S.C. § 1117(a).

> have been diverted; (3) the adequacy of other remedies; (4) any unreasonable delay by the plaintiff in asserting its rights; (5) the public interest in making the misconduct unprofitable; and (6) whether it is a case of palming off.

Synergistic Int'l, LLC v. Korman, 470 F.3d at 175.

As to factor one, whether Plaintiff had the intent to confuse or deceive, there was evidence in the record to support the jury's decision that Plaintiff intentionally diluted Defendant's SEE 'N SAY trademarks with seven of Plaintiff's trademarks. Factor two, whether sales have been diverted, is inapplicable. Regarding factor three, the adequacy of other remedies, the Court has considered other remedies but finds that none other is adequate. There is no competent evidence in the record that the fourth factor, any unreasonable delay by Defendant in asserting its rights, applies. Concerning the fifth factor, the public interest in making the misconduct unprofitable, in addition to Super Duper's misconduct that is the subject of this suit, the record is replete with Plaintiff's apparent proclivity in generously borrowing, without permission or payment, the ideas of others. The public has cause to make such misbehavior unprofitable.[5] The sixth factor, whether this is a a case of palming off, has no application here. These considerations, although not exhaustive, convince the Court that the award of profits as provided herein is proper.

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[5] The Court notes, however, that it has considered only the misconduct of Plaintiff that is the subject of this suit in weighing this factor in favor of granting Defendant relief.

CONCLUSION

Therefore, for the reasons set forth herein, as well as those set forth by Defendant, it is the judgment of this Court that Defendant's Motion for Entry of Judgment will be **GRANTED AS MODIFIED**, Defendant's Motion for Permanent Injunction will be **GRANTED AS MODIFIED**, Defendant's Motion for Order of Cancellation will be **GRANTED**, and Defendant's Motion for Increased Profits Pursuant to 15 U.S.C. § 1117 will **BE GRANTED AS PROVIDED HEREIN**.

IT IS SO ORDERED.

Signed this 31st day of March, 2009 in Spartanburg, South Carolina.

s/ Henry F. Floyd
HENRY F. FLOYD
UNITED STATES DISTRICT JUDGE

FILED: July 7, 2010

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 09-1397
(6:05-cv-01700-HFF)

SUPER DUPER, INCORPORATED, d/b/a Super Duper Publications

Plaintiff - Appellant

v.

MATTEL, INCORPORATED, a Delaware Corporation

Defendant - Appellee

O R D E R

The Court denies the petition for rehearing and rehearing en banc. No judge requested a poll under Fed. R. App. P. 35 on the petition for rehearing en banc.

Entered at the direction of the panel: Judge Shedd, Judge Agee and Senior Judge Hamilton.

For the Court

/s/ Patricia S. Connor, Clerk

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF SOUTH CAROLINA
GREENVILLE DIVISION

SUPER DUPER, INC.	§	
d/b/a Super Duper	§	**Filed**
Publications,	§	March 31, 2009
a South Carolina	§	
Corporation,	§	
	§	
Plaintiff and	§	
Counterdefendant,	§	
	§	
vs.	§	CIVIL ACTION NO.
	§	6:05-1700-HFF-WMC
	§	
	§	
MATTEL, INC.,	§	
a Delaware Corporation,	§	
	§	
Defendant and	§	
Counterclaimant.	§	

AMENDED JUDGMENT AND PERMANENT INJUNCTION

The jury having rendered verdicts on liability and damages in favor of Defendant and Counterclaimant Mattel, Inc. and against Plaintiff

and Counterdefendant Super Duper, Inc., and the Court having granted Defendant's motion for permanent injunction, motion for cancellation, and motion to amend or alter the judgment to increase the profits awarded to Defendant, the Court makes the following findings and orders:

A. On June 15, 2005, Plaintiff filed the complaint for declaratory judgment in this action against Defendant. In its complaint, Plaintiff alleged that the trademarks SORT AND SAY, SEE IT! SAY IT!, FOLD & SAY, FOLD AND SAY, FISH & SAY, FISH AND SAY, SAY AND DO, SAY & DO, SAY & GLUE, FUN DECK & SAY, SORT & SAY, SPIN, SAY & DO, SAY AND SORT, SPIN, SAY AND DO, and SAY AND SING do not infringe Defendant's trademarks SEE N' SAY, MOTHER NATURE SAYS, THE FARMER SAYS, WINKY SAYS, THE BEE SAYS, THE CLOCK SAYS, MOTHER GOOSE SAYS, GRANNY SAYS, BARBIE SAYS, MY CLOCK SAYS, SEE N' SAY JUNIOR, and WHOOO SAYS.

B. On April 12, 2006, Defendant filed its answer and alleged counterclaims against Plaintiff for trademark infringement, false designation of origin, dilution, and unfair competition as to Defendant's trademarks SEE 'N SAY, SEE 'N SAY JUNIOR, THE FARMER SAYS, GRANNY SAYS, BARBIE SAYS, and MOTHER GOOSE SAYS, cancellation of registration, and registration of trademarks by fraudulent means.

C. Plaintiff filed a reply to Defendant's counterclaims on May 4, 2006, and an amended

reply to Defendant's counterclaims on February 2, 2007.

D. On June 11, 2007, Defendant filed an amended answer and amended counterclaims, alleging infringement of SEE 'N SAY, SEE 'N SAY JUNIOR, SEE 'N SAY BABY, GRANNY SAYS, and THE FARMER SAYS.

E. On December 18, 2007, in a hearing before the Court, Defendant informed the Court and Plaintiff that it was not pursuing claims relating to GRANNY SAYS.

F. This case was tried before a jury from April 17, 2008 to April 25, 2008. On April 25, 2008, the jury found as follows:

1. Plaintiff's marks SEE IT! SAY IT!, SAY AND SING, FISH AND SAY, FISH & SAY, SORT AND SAY, SORT & SAY, and SAY AND SORT (the "Infringing Marks") infringe Defendant's trademarks SEE 'N SAY, SEE 'N SAY JUNIOR, SEE 'N SAY BABY, and THE FARMER SAYS;

2. Defendant's trademarks SEE 'N SAY and THE FARMER SAYS are famous.

3. Plaintiff's trademarks SEE IT! SAY IT!, SAY AND SING, FISH AND SAY, FISH & SAY, SORT AND SAY, SORT & SAY, and SAY AND SORT dilute Defendant's SEE 'N SAY and THE FARMER SAYS trademarks;

4. Plaintiff's dilution of Defendant's SEE 'N SAY and THE FARMER SAYS trademarks was intentional;

5. Plaintiff's trademarks SAY AND DO, SAY & DO, FOLD AND SAY, FOLD & SAY, SPIN SAY & DO, SPIN SAY AND DO, SAY & GLUE and FUN DECK & SAY do not infringe or dilute Defendant's SEE 'N SAY, SEE 'N SAY JUNIOR, SEE 'N SAY BABY, and THE FARMER SAYS trademarks;

6. Defendant is entitled to Plaintiff's profits for the use of SEE IT! SAY IT! in the amount of $63,333; SAY AND SING in the amount of $20,002; FISH AND SAY in the amount of $63,333; FISH & SAY in the amount of $63,333; SORT AND SAY in the amount of $63,333; SORT & SAY in the amount of $63,333; and SAY AND SORT in the amount of $63,333; and

7. Defendant did not prove by clear and convincing evidence that Plaintiff made fraudulent representations to the U.S. Patent & Trademark Office regarding its applications to register FOLD & SAY, FISH & SAY, SORT AND SAY, and SAY AND SORT.

G. The parties agreed that Defendant's trademarks SEE 'N SAY, SEE 'N SAY JUNIOR, SEE 'N SAY BABY, and THE FARMER SAYS (the "SEE 'N SAY Marks") are valid trademarks, owned by Defendant.

H. The Court took judicial notice of the fact that 'N means "and" or "&" in the context of this case.

I. With the exception of the award of profits, the Court agrees with and adopts the findings of the jury.

J. The Court further finds that (1) Defendant will suffer irreparable harm if an injunction is not entered; (2) Defendant has no adequate remedy at law for Plaintiff's continued infringement of Defendant's SEE 'N SAY Marks and dilution of Defendant's SEE 'N SAY and THE FARMER SAYS Marks; (3) the balance of hardships between Defendant and Plaintiff leans heavily in favor of Defendant in entering an injunction; (4) the public interest will be served by entry of the injunction; and (5) Defendant sells products bearing its SEE 'N SAY Marks in South Carolina and throughout the United States. Therefore, a nationwide injunction is proper.

K. Pursuant to 15 U.S.C. § 1117(a), the Court finds that Plaintiff's profits awarded to Defendant by the jury were inadequate and should be increased given the following facts and circumstances: (1) the profits proved by Defendant arising from Plaintiff's Infringing Marks were $999,113; (2) the testimony of Plaintiff's expert on costs and revenue was based on a complex and unpersuasive formula, without documentary support for twelve of the nineteen years of costs claimed by Plaintiff; (3) Plaintiff had the burden to prove all deductible costs and did not meet that

burden because it had no cost records for two-thirds of the period claimed and its financial expert's "geometric rate of change" formula does not satisfy that burden; (4) Defendant's financial expert was more credible than Plaintiff's financial expert inasmuch as many of Plaintiff's expert's deductions were speculative and unsupported by business records; (5) As such, in that Defendant's expert's opinion was based on solid data, his testimony is entitled to more weight; (6) the jury found intentional dilution of Defendant's SEE 'N SAY and THE FARMER SAYS trademarks; and (7) the jury's allocation profits among the Infringing Marks was erroneous.

L. In its counterclaims, Defendant pled for cancellation of certain trademark registrations owned by Plaintiff and denial of registration of SORT AND SAY and SAY AND SORT. The Court takes judicial notice of the fact that Plaintiff has allowed its application to register SAY AND SORT to go abandoned pending this litigation. Consistent with the jury's verdict, the Court finds that cancellation of Plaintiff's registrations of SEE IT! SAY IT! and FISH & SAY and denial of registration of SORT AND SAY is proper.

M. The Court enters judgment as follows:

1. Monetary Judgment. Judgment of $999,113 is entered in favor of Defendant and against Plaintiff, with interest at the rate of 1.88% provided by law.

2. Permanent Injunction. Plaintiff, its subsidiaries, officers, agents, directors, servants, employees, partners, assigns, successors, affiliated companies, and attorneys and all persons in active concert and participation with them who receive actual notice of this Judgment by personal service or otherwise, are hereby permanently restrained and enjoined from any of the following:

a. Manufacturing, transporting, promoting, importing, advertising, publicizing, distributing, offering for sale, or selling any goods bearing any of the trademarks SEE IT! SAY IT!, SAY AND SING, FISH AND SAY, FISH & SAY, SORT AND SAY, SORT & SAY, or SAY AND SORT or any mark, name, symbol, design, or logo that is a counterfeit, copy or colorable imitation of, incorporates or is confusingly similar to any of Defendant's trademarks SEE 'N SAY, SEE 'N SAY JUNIOR, SEE 'N SAY BABY, or THE FARMER SAYS.

b. Manufacturing, transporting, promoting, importing, advertising, publicizing, distributing, offering for sale, or selling any goods under any of Defendant's trademarks SEE 'N SAY, SEE 'N SAY JUNIOR, SEE 'N SAY BABY or THE FARMER SAYS without Defendant's express written consent to do so, or under any mark, name, symbol, design or logo that is likely to cause confusion or to cause mistake or to deceive persons into the erroneous belief that Plaintiff's business or goods are sponsored or endorsed by Defendant, are

authorized by Defendant, or are connected in some way with any of Defendant's trademarks SEE 'N SAY, SEE 'N SAY JUNIOR, SEE 'N SAY BABY, and/or THE FARMER SAYS.

c. Passing off, or inducing or enabling others to sell or pass off, any products as genuine, licensed, or authorized products bearing any Defendant's SEE 'N SAY Marks, if they are not genuine, licensed, or authorized.

d. Engaging in any act that dilutes or is likely to dilute the distinctive quality of Defendant's SEE 'N SAY or THE FARMER SAYS trademarks and/or injures or is likely to injure Defendant's business reputation.

e. Representing or implying that Plaintiff or its products are in any way sponsored by, affiliated with, or endorsed or licensed by Defendant.

f. Knowingly assisting, inducing, aiding or abetting any other person or business entity in engaging in or performing any activities referred to in paragraphs 2(a) to 2(e) above.

3. Order of Destruction. Plaintiff shall deliver to Defendant for destruction all products, advertising and promotional material, packaging, or other material bearing any of the marks SEE IT! SAY IT!, FISH & SAY, FISH AND SAY, SAY AND SORT, SORT & SAY, SORT AND SAY, or SAY AND SING, any other unlawful use of Defendant's SEE 'N SAY Marks, or any other

trademarks, names, or logos that are confusingly similar to any of Defendant's SEE 'N SAY Marks or likely to dilute Defendant's SEE 'N SAY or THE FARMER SAYS trademarks. In the alternative, Plaintiff shall rename and relabel all products, advertising and promotional material, packaging, or other material bearing any of the marks SEE IT! SAY IT!, FISH & SAY, FISH AND SAY, SAY AND SORT, SORT & SAY, SORT AND SAY, or SAY AND SING, any other unlawful use of Defendant's SEE 'N SAY Marks, or any other trademarks, names, or logos that are confusingly similar to any of Defendant's SEE 'N SAY Marks or likely to dilute Defendant's SEE 'N SAY or THE FARMER SAYS trademarks.

4. Notice of Compliance. Within thirty days of service of this Judgment, Plaintiff shall file a report with the Court, under oath, setting forth in detail the manner and form in which Plaintiff has complied with the permanent injunction and the order of destruction stated herein.

5. Order to Commissioner for Trademarks. The Commissioner for Trademarks of the U.S. Patent and Trademark Office is hereby ordered to cancel U.S. Registration No. 2,504,141 of SEE IT! SAY IT! and U.S. Registration No. 2,666,686 of FISH & SAY and deny registration to U.S. Serial No. 78/252,179 for SORT AND SAY.

6. Plaintiff's Declaratory Judgment Claims. The Court hereby dismisses Plaintiff's claims for declaratory judgment as moot.

7. Costs. Defendant, as the prevailing party, is entitled to an award of costs in the amount of $58,529.21, less the amount disallowed in the Court's Order filed this date.

8. Attorneys' Fees. As the prevailing party and because the Court finds this to be an exceptional case under 15 U.S.C. § 1117, Defendant is entitled to an award of reasonable attorneys' fees in the amount of $2,643,844.15.

9. Binding Effect. This Judgment shall be binding upon and inure to the benefit of the parties hereto and all successors and assigns, parent companies, officers, directors, shareholders, agents, affiliates, and all entities which are "related companies" within the meaning of 15 U.S.C. § 1055.

10. Continuing Jurisdiction. Notwithstanding any other provision herein, this Court shall retain jurisdiction to enforce this Judgment.

IT IS SO ORDERED.

Signed this 31st day of March, 2009 in Spartanburg, South Carolina.

s/ Henry F. Floyd

HENRY F. FLOYD

UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF SOUTH CAROLINA
GREENVILLE DIVISION

SUPER DUPER, INC. d/b/a Super Duper Publications, a South Carolina Corporation,	§	
Plaintiff and Counterdefendant,	§	
vs.	§	CA. NO. 6:05-CV-1700-HFF-WMC
MATTEL, INC., a Delaware Corporation,	§	
Defendant and Counterclaimant.	§	

VERDICT FORM

A. CLAIMS OF TRADEMARK INFRINGEMENT AND UNFAIR COMPETITION

1. Do you find that Mattel has proven by a preponderance of the evidence that any of Super Duper's trademarks shown below infringe Mattel's [redacted] trademarks SEE 'N SAY, SEE 'N SAY JUNIOR, SEE 'N SAY BABY, or THE FARMER SAYS?

Super Duper Trademark	Infringement	
SAY AND DO	YES ___	NO ✓
SAY & DO	YES ___	NO ✓
FOLD AND SAY	YES ___	NO ✓
FOLD & SAY	YES ___	NO ✓
SPIN, SAY & DO	YES ___	NO ✓
SFIN, SAY AND DO	YES ___	NO ✓
SEE IT! SAY IT!	YES ✓	NO ___
SAY & GLUE	YES ___	NO ✓
FUN, DECK & SAY	YES ___	NO ✓
SAY AND SING	YES ✓	NO ___
FISH AND SAY	YES ✓	NO ___
FISH & SAY	YES ✓	NO ___
SORT AND SAY	YES ✓	NO ___
SORT & SAY	YES ✓	NO ___
SAY AND SORT	YES ✓	NO ___

2. Do you find that Mattel has proven by a preponderance of the evidence that Super Duper has unfairly competed with Mattel as a result of its use of the trademarks shown below?

Super Duper Trademark	Unfairly Competed	
SAY AND DO	YES ___	NO ✓
SAY & DO	YES ___	NO ✓
FOLD AND SAY	YES ___	NO ✓
FOLD & SAY	YES ___	NO ✓
SPIN, SAY & DO	YES ___	NO ✓
SPIN, SAY AND DO	YES ___	NO ✓
SEE IT! SAY IT!	YES ___	NO ✓
SAY & GLUE	YES ___	NO ✓
FUN, DECK & SAY	YES ___	NO ✓
SAY AND SING	YES ___	NO ✓
FISH AND SAY	YES ___	NO ✓
FISH & SAY	YES ___	NO ✓
SORT AND SAY	YES ___	NO ✓
SORT & SAY	YES ___	NO ✓
SAY AND SORT	YES ___	NO ✓

If you answered NO, proceed to Question 5.

If you answered YES, please proceed to Question 3.

3. Do you find that Super Duper's infringement and unfair competition was intentional?

YES ___ NO ✓

4. Please identify the amount of damages you would award to Mattel for each infringing trademark and/or for each trademark that Super Duper has used to unfairly compete with Mattel.

Trademark	Amount of Damages
SAY AND DO	0
SAY & DO	0
FOLD AND SAY	0
FOLD & SAY	0
SPIN, SAY & DO	0
SPIN, SAY AND DO	0
SEE IT! SAY IT!	0
SAY & GLUE	0
FUN, DECK & SAY	0
SAY AND SING	0
FISH AND SAY	0
FISH & SAY	0
SORT AND SAY	0
SORT & SAY	0
SAY AND SORT	0

B. CLAIMS OF TRADEMARK DILUTION

5. Do you find that any of Mattel's trademarks listed below are famous?

Trademark	Famous	
SEE 'N SAY	YES ✓	NO
SEE 'N SAY JUNIOR	YES	NO ✓
SEE 'N SAY BABY	YES	NO ✓
THE FARMER SAYS	YES ✓	NO

If you answered NO to all of the above, please proceed to Question 9.

If you answered YES to any of the above, please proceed to Question 6.

6. Do you find by a preponderance of the evidence that any of Super Duper's trademarks identified below are likely to dilute the distinctive nature of any of Mattel's trademarks SEE 'N SAY, SEE 'N SAY JUNIOR, SEE 'N SAY BABY, and THE FARMER SAYS?

Super Duper Trademark	Likely to Dilute	
SAY AND DO	YES ___	NO ✓
SAY & DO	YES ___	NO ✓
FOLD AND SAY	YES ___	NO ✓
FOLD & SAY	YES ___	NO ✓
SPIN, SAY & DO	YES ___	NO ✓
SPIN, SAY AND DO	YES ___	NO ✓
SEE IT! SAY IT!	YES ✓	NO ___
SAY & GLUE	YES ___	NO ✓
FUN, DECK & SAY	YES ___	NO ✓
SAY AND SING	YES ✓	NO ___
FISH AND SAY	YES ✓	NO ___
FISH & SAY	YES ✓	NO ___
SORT AND SAY	YES ✓	NO ___
SORT & SAY	YES ✓	NO ___
SAY AND SORT	YES ✓	NO ___

If you answered NO to all of the above, please proceed to Question 9.

If you answered YES to any of the above, please proceed to Question 7.

7. Do you find that Super Duper's dilution of Mattel's SEE 'N SAY trademarks was intentional?

YES ✓ NO ___

If you answered NO, please proceed to Question 9.

If you answered YES, please proceed to Question 8.

8. Please identify the amount of damages you would award to Mattel for each diluting trademark identified below:

Trademark	Amount of Damages
SAY AND DO	0
SAY & DO	0
FOLD AND SAY	0
FOLD & SAY	0
SPIN, SAY & DO	0
SPIN, SAY AND DO	0
SEE IT! SAY IT!	63,333.00
SAY & GLUE	0
FUN, DECK & SAY	0
SAY AND SING	20,002.00
FISH AND SAY	63,333.00
FISH & SAY	63,333.00
SORT AND SAY	63,333.00
SORT & SAY	63,333.00
SAY AND SORT	63,333.00

C. CLAIM OF FRAUD ON THE U.S. PATENT & TRADEMARK OFFICE

9. Did Mattel demonstrate by clear and convincing evidence that Super Duper made any fraudulent representations to the U.S. Patent & Trademark Office in its application to register the trademark FOLD & SAY?

YES ___ NO ✓

10. Did Mattel demonstrate by clear and convincing evidence that Super Duper made any fraudulent representations to the U.S. Patent & Trademark Office in its application to register the trademark FISH & SAY?

YES ___ NO ✓

11. Did Mattel demonstrate by clear and convincing evidence that Super Duper made any fraudulent representations to the U.S. Patent & Trademark Office in its application to register the trademark SORT AND SAY?

YES ___ NO ✓

12. Did Mattel demonstrate by clear and convincing evidence that Super Duper made any fraudulent representations to the U.S. Patent & Trademark Office in its application to register the trademark SAY AND SORT?

YES ___ NO ✓

JURY FOREPERSON:

Print Name: s/ Jury Foreperson
JURY FOREPERSON

Sign Name: s/ Jury Foreperson

Date: 4/25/08

SUPREME COURT, U.S.
FILED
DEC - 6 2010
OFFICE OF THE CLERK

No. 10-603

IN THE
Supreme Court of the United States

SUPER DUPER, INC.,
D/B/A SUPER DUPER PUBLICATIONS,
Petitioner,

v.

MATTEL, INC.,
Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Fourth Circuit

BRIEF FOR RESPONDENT IN OPPOSITION

THOMAS H. DUPREE, JR.
Counsel of Record
DACE C. MARTINEZ
GIBSON, DUNN & CRUTCHER LLP
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 955-8500
TDupree@gibsondunn.com

Counsel for Respondent

QUESTIONS PRESENTED

1. Whether review is warranted to resolve issues that petitioner did not raise below and neither the district court nor the court of appeals considered; that depend on purported factual findings the jury did not render; and where there exists a separate and independent basis for upholding the judgment.

2. Whether a trademark owner must prove willfulness and actual confusion to recover profits from the infringement under 15 U.S.C. § 1117(a).

RULE 29.6 STATEMENT

Mattel, Inc. is a publicly held corporation. Mattel does not have any parent corporations, nor is ten percent or more of its stock owned by a publicly held corporation or other publicly held entity.

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David S. Almeling, *The Infringement-Plus-Equity Model: A Better Way to Award Monetary Relief in Trademark Cases*, 14 J. Intell. Prop. L. 205 (2007) 22
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BRIEF IN OPPOSITION

Respondent Mattel, Inc. respectfully submits this brief in opposition to the petition for a writ of certiorari filed by petitioner Super Duper, Inc.

OPINIONS BELOW

The opinion of the court of appeals is not published, but is available electronically at 2010 WL 2340250 and is reproduced at Pet. App. 1a-17a. The district court's order awarding profits is not published, but is available electronically at 2009 WL 866461 and is reproduced at Pet. App. 18a-28a.

JURISDICTION

The Court has jurisdiction under 28 U.S.C. § 1254(1).

STATEMENT

Super Duper claims that the Fourth Circuit's unpublished, per curiam decision presents hidden questions of trademark law as to which the circuits have split.

Review is unwarranted for many reasons. First, the purported "Questions Presented" are not actually presented. Super Duper never raised these arguments below and neither the district court nor the Fourth Circuit considered them. Moreover, the existence of the "Questions Presented" depends on Super Duper's claim that the jury rendered two factual findings *that the jury never made*. Contrary to Super Duper's suggestion, the jury never found that the infringement was unintentional, nor did the jury find an absence of actual confusion. Furthermore, the profits award may be upheld on the basis of *either* trademark infringement *or*

trademark dilution. Thus, the judgment would not be affected even if this Court were to resolve the infringement questions in Super Duper's favor. For all of these reasons, a grant of certiorari would be improvident because neither of the two "Questions Presented" is actually before the Court and because the Court's resolution of these questions would have no effect on the judgment below.

Second, there is no circuit split. As to the first "Question Presented" — whether a court may award profits absent proof of intentional infringement — Congress resolved the issue when it amended the Lanham Act in 1999. The cases Super Duper relies on to support the existence of a circuit split are *pre-amendment* decisions. There is obviously no need for this Court to address a question that Congress has already resolved. As to the second "Question Presented" — whether a court may award profits absent proof of actual confusion — there is simply no circuit split.

1. Super Duper is a South Carolina corporation that manufactures and sells toys and games. Fourth Circuit Joint Appendix (JA) 64. Super Duper is owned and managed by husband and wife Thomas and Sharon Webber. Mr. Webber serves as the company's chairman and CEO, as well as its trademark attorney. JA 776, 840-41, 1960. Super Duper places the marks at issue in this case on toys, games and other products that are used both to entertain children and to help them learn to speak. JA 635-36, 1224-25, 1250-51.

The Mattel marks at issue in this case are among the most famous and universally recognized marks on educational toys. Mattel first introduced the SEE 'N SAY brand in 1965, and its products bearing the

mark have sold an estimated 100 million units since that time. JA 1091-92. In fact, in some years, the number of SEE 'N SAY units sold exceeded the number of births in the United States. JA 1243. The SEE 'N SAY mark has been used most often on the classic educational toy that, when activated by a string or lever, triggers a recording (*e.g.*, the cow goes "moo") based on where the arrow is aimed. It has also been used on many types of games, puzzles, books and learning systems over the years. JA 1065-66, 1082, 1761-66, 1774-90.

Mattel's other marks at issue include THE FARMER SAYS, which is famous in its own right and accounts for approximately one-third of the estimated 100 million units of SEE 'N SAY products sold, JA 1090, 1093, 1242, as well as SEE 'N SAY JUNIOR and SEE 'N SAY BABY, which are smaller versions of the classic SEE 'N SAY. JA 1084-87, 1635-36, 1958-59. Like the products manufactured and sold by Super Duper, Mattel's SEE 'N SAY products are used both to entertain children and to help them learn to speak. JA 1087-88, 1837.

2. In 2004, Mattel filed an opposition in the U.S. Patent and Trademark Office seeking to cancel certain Super Duper marks. JA 336. After the parties' efforts to reach a settlement failed, Super Duper sued Mattel in Super Duper's hometown of Greenville, South Carolina, seeking a declaratory judgment that its marks did not infringe Mattel's marks. JA 64-79. Mattel filed compulsory counterclaims for trademark infringement and dilution under 15 U.S.C. § 1125(a) and § 1125(c), respectively, and sought Super Duper's profits from the infringement and dilution as permitted by 15 U.S.C. § 1117(a). JA 222-52.

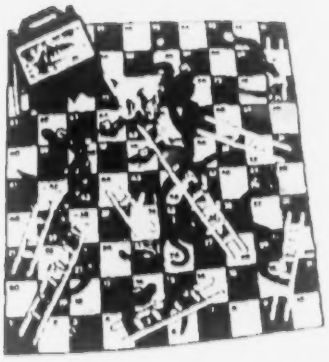
Super Duper's lawsuit spanned nearly three years and culminated in a seven-day jury trial. A central issue at trial was whether Super Duper was aware of Mattel's SEE 'N SAY marks prior to the parties' dispute, and thus whether Super Duper acted intentionally or whether the similarities in the parties' marks were merely by chance. Super Duper argued that it could not have intentionally copied Mattel's SEE 'N SAY marks because it had not even heard of SEE 'N SAY until Mattel notified Super Duper of its potential infringement in 2004. Indeed, Mr. Webber stated on nine different occasions leading up to trial — in testimony under oath, sworn interrogatory responses, and requests for admission — that he was not aware of the SEE 'N SAY marks until Mattel contacted him in 2004 regarding the potential infringement. JA 846-78, 1927-45, 1947-55, 1961. But at trial, when Mr. Webber testified on the stand that he was not aware of SEE 'N SAY until 2004, his numerous sworn statements were all shown to be false and he admitted that he had actually known of SEE 'N SAY years before.

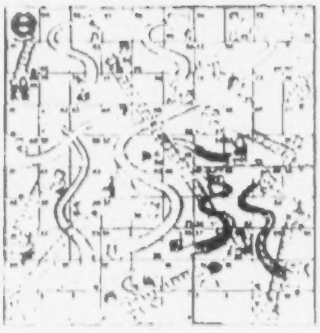
Mattel introduced a letter into evidence showing that in 2000, Mr. Webber hired outside counsel to conduct a trademark search regarding Super Duper's SEE IT! SAY IT! mark. Outside counsel wrote back to Mr. Webber, warning him of the existence and registration of Mattel's SEE 'N SAY mark. JA 847, 1542-43. The following year (in 2001), Super Duper engaged different outside counsel to conduct a search regarding Super Duper's FISH AND SAY mark. That outside counsel also wrote back to Mr. Webber to warn him of the existence and registration of Mattel's SEE 'N SAY mark. JA 849, 1583-85. Despite these repeated warnings from its outside counsel, Super Duper chose to forge ahead and to

manufacture and sell products containing its very similar marks.

When these letters were introduced at trial and Mr. Webber's testimony was exposed as false, the district court suggested to Mr. Webber that he might wish to change his testimony. Mr. Webber replied: "Absolutely not." JA 856. The district court again cautioned Mr. Webber and gave him a second opportunity to change his testimony. JA 874-75. Only then did Mr. Webber finally admit that all of his prior statements were "wrong" and "inaccurate," and that he had been aware of Mattel's SEE 'N SAY marks well before 2004. JA 873-75. Indeed, Mr. Webber confessed that he had used Mattel's SEE 'N SAY product when he was a child and even had one in his home for his own children. JA 846-47. The culmination of this remarkable chain of events occurred when Super Duper's lawyer began his closing argument by acknowledging his client's repeated false statements under oath, and by imploring the jury to blame Super Duper's lawyers for failing to ensure that their client testified truthfully. JA 1378-80.

Although Mr. Webber's credibility was in tatters, Super Duper attempted to convince the jury that it was a legitimate business that did not sell knock-offs of well-known toys and games. But the jury heard extensive testimony and saw numerous exhibits demonstrating that many of Super Duper's toys and games bear a striking resemblance to well-known toys and games of other companies. For example, Super Duper's SILLY SNAKES AND LADDERS is an obvious knockoff of the famous board game CHUTES AND LADDERS, simply changing the chutes into snakes:





SILLY SNAKES AND LADDERS

CHUTES AND LADDERS

JA 2529-30, 626-27, 882-86.

Similarly, Super Duper's MARTHA MOUSE is a copy of Disney's famous mark and character MINNIE MOUSE, right down to the identical red dress with white polka dots accompanied by a matching headband:

MARTHA MOUSE ***MINNIE MOUSE***

JA 2527, 629-30, 879-81. When asked by Mattel's counsel at trial whether she saw any similarities between the two, Mrs. Webber replied, "Only so many ways to dress a mouse, Mr. Holleman, but I guess I could see a polka dot on there." JA 629.

Mattel introduced other evidence of Super Duper's pattern and practice of copying others' marks and products, including: MIGHTY MOUTH (a knock-off of MIGHTY MOUSE); MR. TWISTER (a knock-off of TWISTER); TOKEN TOWER (a knock-off of TOLKIEN TOWER); and DRESS-A-BEAR (a knock-off of BUILD-A-BEAR). JA 627-34, 886-87, 891-92.

Super Duper noted that many of the marks at issue in the lawsuit involved the word "say," and argued that a ruling in Mattel's favor would amount to granting Mattel a monopoly over a common word. JA 1383, 1400-01. But Mattel pointed out in response that establishing unlawful infringement requires far more than two marks having a single word in common. JA 1408. The test for trademark infringement is whether there is a likelihood of consumer confusion: a determination that requires a *seven-factor* analysis that looks to the strength or distinctiveness of the plaintiff's mark; the similarity of the two marks; the similarity of the goods the marks identify; the similarity of the facilities the parties use in their businesses; the similarity of the parties' advertising; the defendant's intent; and the existence of actual confusion. *See Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir. 1984); JA 1453-65 (jury instructions outlining seven factors).

Because a trademark infringement finding depends on numerous factors other than the words used in the mark, a ruling in Mattel's favor obviously

would not prevent other companies from using marks containing the word "say," just as (for example) a finding that the "PIZZA HUT" trademark was infringed would not mean that other companies cannot use the word "pizza" in their marks.

The jury agreed with Mattel. It determined that Super Duper's marks infringed *and* intentionally diluted Mattel's marks, and awarded $400,000 in profits to Mattel. Pet. App. 42a-46a.

3. In denying Super Duper's post-trial motions, the district court stated that it "wholly agrees with the jury's opinion" regarding the unlawfulness of Super Duper's marks. Pet. App. 22a. The court therefore upheld the jury's two independent findings of liability: trademark *infringement* and trademark *dilution*.

The district court also granted Mattel's motion to increase the profits award under 15 U.S.C. § 1117(a). That section provides: "If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case." In concluding that the profits award should be increased from $400,000 to $999,113, the district court considered six equitable factors, including whether Super Duper intended to confuse or deceive. Pet. App. 26a-27a. The court determined that a heightened award was warranted, emphasizing that the record was "replete with [Super Duper's] apparent proclivity in generously borrowing, without permission or payment, the ideas of others." Pet. App. 27a. The court based its profits award on *both* the infringement finding *and* the willful dilution finding — either of which permits an

award of profits under 15 U.S.C. § 1117(a). Pet. App. 25a; *see also* JA 2704 ("the evidence overwhelmingly validates the jury's verdict" on dilution as well as infringement).

The court also entered an injunction, which does not enjoin Super Duper from manufacturing or selling the products in question (which together account for only 7 percent or so of Super Duper's overall sales, JA 791, 1228). Rather, the injunction simply requires that Super Duper choose a different name for the products. Pet. App. 21a. The injunction further provides that, rather than destroy any products bearing the unlawful marks, Super Duper may simply rename and relabel them. *Id.* at 21a, 39a.

4. Super Duper appealed. Although it raised numerous challenges to the jury's verdict and the rulings of the district court, it never argued that the alleged absence of willfulness and actual confusion precluded an award of profits. *See* Super Duper Fourth Circuit Opening Br. at 53-57; Super Duper Fourth Circuit Reply Br. at 32-33. Nor could Super Duper have raised such arguments before the Fourth Circuit, as it never made them in the district court and they were obviously waived. In fact, the proposed jury instructions that Super Duper submitted to the district court authorized the jury to award profits even absent a finding of willfulness or actual confusion. JA 460.

The Fourth Circuit found "no error requiring reversal" and affirmed the district court's judgment in its entirety in an unpublished, per curiam opinion. Pet. App. 3a.

With respect to the profits award, the Fourth Circuit explained that to recover profits for

trademark dilution under the Trademark Dilution Revision Act of 2006 (TDRA), the plaintiff must show that "the mark . . . that is likely to cause dilution by blurring . . . was first used in commerce by the person against whom [relief] is sought after October 6, 2006," 15 U.S.C. § 1125(c)(5)(A), and in this case Super Duper's marks were in use prior to that date. Pet. App. 13a.

But the Fourth Circuit held that it would not set aside the district court's award of profits on this basis because "Super Duper failed to raise anything remotely resembling this argument in its Rule 50(a) motion for judgment as a matter of law," and "[u]nder the facts of this case, we decline to exercise our discretion to correct the error." Pet. App. 13a. Thus, the Fourth Circuit let stand the district court's determination that *either* the dilution finding *or* the infringement finding was a sufficient basis for the award of profits. *Id.*

5. Super Duper sought rehearing or rehearing en banc. In its rehearing petition, Super Duper did not raise either of the arguments it presents to this Court. *See* Super Duper Pet. for Reh'g or Reh'g En Banc. The Fourth Circuit denied rehearing. Pet. App. 29a. No judge requested a poll. *Id.*

REASONS FOR DENYING THE PETITION

Super Duper identifies two questions for this Court's review. Neither was raised below; neither has ever been considered by any court at any stage of this litigation; neither is actually presented by this case; and the Court's resolution of those questions would have no effect on the underlying judgment in any event. Nor, for that matter, is there any circuit split warranting this Court's review.

It is important to note what Super Duper is *not* challenging. It is not challenging the finding that it infringed Mattel's trademarks; it is not challenging the finding that it willfully diluted Mattel's trademarks; and it is not challenging the propriety of the injunction or the award of attorneys' fees.[1]

I. THE "QUESTIONS PRESENTED" ARE NOT ACTUALLY PRESENTED.

Neither of Super Duper's purported "Questions Presented" is properly before this Court. As shown below, there are *three* different reasons why a grant of certiorari would be improvident and why Super Duper's petition should be denied.

A. Super Duper Did Not Raise These Issues Below.

Super Duper never raised either question below and neither the district court nor the Fourth Circuit passed on them. Tellingly, Super Duper does not identify where in the record it presented these arguments, and with good reason: they are being presented for the first time to this Court. For that reason alone, this Court should decline review. *See, e.g.*, *Pa. Dep't of Corr. v. Yeskey*, 524 U.S. 206, 212-13

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[1] For this reason, the arguments that Mattel anticipates will be raised by Super Duper's *amici* are irrelevant. Mattel has not seen the *amicus* brief as of the time this brief is being filed, but to the extent the *amici* suggest that the consequence of a judgment in Mattel's favor is to limit the use of the word "say," those arguments are not only erroneous, but they have absolutely no relevance to Super Duper's "Questions Presented," which concern the prerequisites for a profits award, not the standard for infringement or dilution liability.

(1998) ("'Where issues are neither raised before nor considered by the Court of Appeals, this Court will not ordinarily consider them.'") (quoting *Adickes v. S.H. Kress & Co.*, 398 U.S. 144, 147, n.2 (1970)).

In fact, in the district court, Super Duper took precisely the *opposite* of the position that it now asserts. Super Duper's proposed jury instructions did not require a finding of willful infringement or actual confusion before profits could be awarded. JA 460. Thus, the position that Super Duper took during trial was that profits *could* be awarded absent willful infringement or actual confusion.

In post-trial briefing on the profits award, Super Duper failed to raise either argument. *See* Brief in Opposition to Motion for Entry of Judgment, Permanent Injunction, Order of Cancellation, and Increased Profits at 11-15. In its brief to the Fourth Circuit, Super Duper failed to raise either argument, and in fact effectively conceded that the profits award *could* be based on the infringement finding. *See* Super Duper Fourth Circuit Opening Br. at 51-53.[2] And in its rehearing petition, Super Duper failed to raise either argument. *See* Super Duper Pet. for Reh'g or Reh'g En Banc at 9-10.

In short, these issues have never been presented to any court at any stage in this litigation. It is

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[2] Mattel's Fourth Circuit brief pointed out this concession, *see* Mattel Fourth Circuit Br. at 54, and Super Duper did not contest this point in its reply brief. In fact, while Super Duper's reply brief argued that profits could not be based on the *dilution* finding, it did *not* argue that profits could not be based on the *infringement* finding. *See* Super Duper Fourth Circuit Reply Br. at 32.

therefore hardly surprising that neither the district court nor the Fourth Circuit ever considered or addressed them. Super Duper's arguments have long since been waived and forfeited, and should not be considered in the first instance by this Court.

B. The Existence Of The "Questions Presented" Depends On Purported Factual Findings That The Jury And The District Court Never Made.

Super Duper's claim that its two questions are actually presented in this case rest on the false premise that the jury or district court rendered factual findings that were never made. There is no basis to simply *assume* — on the basis of a voluminous and hotly-contested evidentiary record — that the jury or the district court *sub silentio* made factual findings that they were never asked to, and did not, make.

Super Duper's first "Question Presented" — whether a court may award profits absent proof of intentional infringement — rests on Super Duper's assertion that "[t]he jury found . . . that the infringement was not intentional." Pet. 7. The jury made no such finding. Question 3 on the verdict form asked the jury: "Do you find that Super Duper's infringement *and* unfair competition was intentional?" Pet. App. 43a (emphasis added). At the time it answered this question, the jury had already completed Question 2 on the verdict form and determined that Super Duper had *not* engaged in unfair competition, *id.*, so its answer to Question 3 had to be "no," *regardless* of whether it would have found the infringement was intentional. There is simply no basis for concluding from the verdict form

that the jury found that Super Duper's infringement was unintentional.

Indeed, Mattel introduced overwhelming evidence establishing that the infringement *was* intentional. That evidence included Mr. Webber's many false statements under oath, JA 846-78, as well as the substantial evidence that Super Duper is a serial copier, JA 626-34, 879-92, 1878, 1901, 1908, 1916, 1962-63, 2527, 2529-30, 2532; *see also* Pet. App. 27a (district court finding that "the record is replete" with evidence of Super Duper knock-offs). In sum, the record simply does not permit the conclusion that profits were awarded absent intentional infringement, and therefore the first "Question Presented" is not in fact presented in this case.

Super Duper's second "Question Presented" — whether a court may award profits absent proof of actual confusion — rests on the false premise that the jury found an absence of actual confusion. Here too, the jury *was not asked* to render a specific finding as to the presence or absence of actual confusion. Rather, the jury rendered a general verdict reflecting its balancing of the seven likelihood-of-confusion factors. *See* Pet. App. 42a.

Moreover, Mattel introduced evidence of actual confusion, JA 1135, Fourth Circuit Br. 35-36, and the district court instructed the jury on actual confusion — thus indicating that the court determined that there was sufficient evidence in the record for the jury to find actual confusion. JA 2013. Likewise, the Fourth Circuit recognized that there was sufficient evidence for a jury to have found actual confusion. Pet. App. 9a (presence of actual confusion in this case is "a factual matter best left to the jury's

determination"). In sum, the record simply does not permit the conclusion that profits were awarded absent actual confusion, and thus the second "Question Presented" is not in fact presented.

C. The Profits Award Can Be Upheld Entirely Based On The Dilution Finding, So This Court's Resolution Of The "Questions Presented" Would Not Affect The Judgment Below.

Plenary review by this Court would be an empty exercise. Even if the Court resolved the "Questions Presented" in Super Duper's favor, the judgment below would not be affected in the slightest. That is because both of Super Duper's questions address when a district court may award profits based on trademark *infringement*. But in this case, the district court identified two separate and independent bases for the profits award — trademark infringement *and* trademark dilution — and the Fourth Circuit affirmed in full. Thus, even if this Court were to hold that profits were incorrectly awarded based on trademark infringement, the judgment would still stand in its entirety based on the finding of trademark dilution — a finding that Super Duper does not challenge.

Under the Lanham Act, 15 U.S.C. § 1117(a), profits may be awarded for infringement or intentional dilution. In this case, the jury awarded profits solely on the basis of dilution. Pet. App. 44a, 46a. In increasing the profits award, the district court held that the heightened award could be based on *either* infringement *or* dilution. Pet. App. 25a.

On appeal, Super Duper argued that, under the TDRA, profits could not be based on the dilution finding. The Fourth Circuit rejected this argument

and permitted the district court's determination to stand. While the court acknowledged that Super Duper's reading of the law was correct, the court held that Super Duper had waived the argument and that the court would not exercise its discretion to vacate the determination. *See* Pet. App. 13a ("Super Duper failed to raise anything remotely resembling this argument in its Rule 50(a) motion for judgment as a matter of law," and "[u]nder the facts of this case, we decline to exercise our discretion to correct the error.").[3]

The Fourth Circuit thus left intact the award of profits based on dilution. It explained that "'the decision to correct a forfeited error is within the sound discretion of the court of appeals, and the court should not exercise that discretion unless the error seriously affects the fairness, integrity or public reputation of judicial proceedings.'" Pet. App. 13a-14a (quoting *United States v. Olano*, 507 U.S. 725, 732 (1993)) (brackets omitted).

Super Duper does not challenge the Fourth Circuit's application of the plain error doctrine. Consequently, even if this Court were to hold that the courts below erred in permitting the profits

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[3] Super Duper may argue that the court's plain error determination rested on its determination that the infringement finding supported the profits award and thus there was no need to correct the error. This would be wrong for two reasons. One, the court's holding was based on Super Duper's waiver of any challenge to basing the profits award on dilution. Pet. App. 13a. Two, even if the court's holding *were* based solely on the infringement finding, Super Duper never argued to the Fourth Circuit that profits could not be upheld based on the infringement finding.

award based on the *infringement* finding, the Fourth Circuit's affirmance of the award based on the *dilution* finding — a determination that rests on the Fourth Circuit's unchallenged finding of waiver and its application of the plain error doctrine — would still remain. This Court is not in the business of issuing advisory opinions that have no bearing on the underlying judgment.

II. THERE IS NO CIRCUIT SPLIT.

Even if this Court were somehow to view the "Questions Presented" as actually presented in this case, review would still be unwarranted because there is no circuit split.

A. Congress Has Eliminated Any Confusion Over Whether Profits May Be Awarded Absent Intentional Infringement.

The question whether profits may be awarded absent intentional infringement has already been answered — by Congress, when it passed the Trademark Amendments Act of 1999. The amendments make clear that intentional infringement is *not* a prerequisite to a profits award. *See* Pub. L. No. 106-43, § 3(b), 113 Stat. 218, 219 (1999) (amending 15 U.S.C. § 1117(a)). The purported circuit split cited by Super Duper is based on *pre-amendment* cases. Now that Congress has answered the question, there is no need for this Court to weigh in and "resolve" a circuit split that no longer exists.

1. Prior to the amendments, 15 U.S.C. § 1117(a) provided that a plaintiff could recover profits if it established "a violation under section 1125(a)" (the provision governing trademark infringement). Some courts interpreted this language as permitting an

award of profits only in cases of intentional or willful infringement. *See, e.g., Securacomm Consulting Inc. v. Securacom, Inc.*, 166 F.3d 182, 190 (3d Cir. 1999). Other courts, however, noted that the statutory language did not impose a willfulness requirement, and accordingly held that profits could be awarded absent willful infringement. *See, e.g., Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989) ("there is no express requirement . . . that the infringer willfully infringe . . . to justify an award of profits").

In 1999, Congress resolved the issue by amending the statute. The amendments modified 15 U.S.C. § 1117(a) to provide that a plaintiff can recover profits if it establishes "a violation under section 1125(a) of this title, or a *willful* violation under section 1125(c)" (the former provision prohibits trademark infringement; the latter prohibits trademark dilution). *See* 15 U.S.C. § 1117(a) (Aug. 1999) (emphasis added).[4] Thus, the effect of the amendment was to make clear that willfulness was *not* required for profits awards based

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[4] Congress has since amended § 1117(a), but without substantive change for purposes of the questions presented. The statute now reads in relevant part: "When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. . . ." 15 U.S.C. § 1117(a).

on infringement, but *is* required for profits awards based on dilution. *See Duncan v. Walker*, 533 U.S. 167, 173 (2001) (noting the "well settled" rule that "where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion") (citations omitted).

2. To the extent there was disagreement in the circuits over this question, any confusion has evaporated since the clarifying 1999 amendments. Some courts have expressly changed their position in response to the amended statutory language. For example, prior to the amendments, the Third Circuit had held that willfulness was a prerequisite to a profits award. *See Securacomm Consulting*, 166 F.3d at 190. But in *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168 (3d Cir. 2005), the court changed its rule and explained:

> The 1999 amendment replaced "or a violation under section 43(a) [§ 1125(a)]" with "a violation under section 43(a) [15 U.S.C. § 1125(a)], or a *willful* violation under section 43(c) [15 U.S.C. § 1125(c)] . . . ." The plain language of the amendment indicates that Congress intended to condition monetary awards for § 43(c) violations, but not § 43(a) violations, on a showing of willfulness.

Id. at 174 (emphasis added by Third Circuit). Accordingly, the Third Circuit held that "*SecuraComm*'s bright-line willfulness requirement has been superseded by statute," and willfulness is no longer a prerequisite to obtaining profits in an infringement action. *Id.*

Likewise, district courts in the Second and Ninth Circuits have recognized that prior circuit decisions requiring willfulness have been superseded by the amendments. *See Nike, Inc. v. Top Brand Co.*, No. 00-civ-8179-KMW-RLE, 2005 WL 1654859, at *10 (S.D.N.Y. July 13, 2005) ("Without reason to believe that Congress intended to preserve the Second Circuit rule [requiring a showing of bad faith or intentional misconduct to recover profits for infringement] that preceded the 1999 amendment, the plain language of the statute should govern."); *R&R Partners, Inc. v. Tovar*, No. 03:040-cv-00145-LRH-PAL, 2007 WL 1202802, at *1 (D. Nev. Apr. 23, 2007) (concluding that, despite the Ninth Circuit's previous requirement of willful infringement, "[t]he plain language of [the 1999 Amendment] indicates that Congress intended to condition monetary awards for Section 43(c) violations on a finding of willfulness, but not Section 43(a) violations").

The Fourth Circuit has also recognized that the amendments clarified the law. In *Synergistic International, LLC v. Korman*, 470 F.3d 162, 175 & n.13 (4th Cir. 2006), the court held that "[i]n light of [the 1999 amendments], we agree that willfulness is not an essential prerequisite for a damages award, but that it remains a highly pertinent factor."

The Fifth Circuit has reached the same conclusion, drawing a clear distinction between the pre-amendment and post-amendment caselaw. In *Quick Technologies, Inc. v. Sage Group PLC*, 313 F.3d 338, 349 (5th Cir. 2002), the court began by canvassing the pre-amendment caselaw. But the court then stated: "It is important to note, however, that prior to the amendment of § 1117(a) on August 5, 1999, there were no references to the term 'willful' in § 1117(a), thus the decisions of our sister circuits

are of limited utility to the decision we are faced with today." *Id.* at 348. The Fifth Circuit went on to reject "a bright-line rule in which a showing of willful infringement is a prerequisite to an accounting of profits." *Id.* at 349.[5]

3. Super Duper is asking this Court to "resolve" a circuit split that no longer exists. This is evident by the telling fact that Super Duper identifies *no* circuit court decision since the 1999 amendment that requires a showing of willful infringement for a profits award.

Cases that imposed a willfulness requirement based on the old version of the statute are no longer good law and obviously do not support the existence of a current split in the circuits. Many courts have already modified their approach based on the new version of the statute, and those courts that have not yet had the opportunity to do so should be allowed to make the change for themselves and bring their caselaw into harmony with the other circuits. There is simply no need for this Court to answer the question that Congress has already answered, particularly when so many courts are already bringing their caselaw in line with the new version of the statute.

Super Duper cites *Tamko Roofing Products, Inc. v. Ideal Roofing Co.*, 282 F.3d 23 (1st Cir. 2002), to

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[5] Super Duper cites *McCarthy on Trademarks and Unfair Competition* § 30:62 (4th ed. Supp. 2010) for the proposition that willfulness is still required to obtain profits. Pet. 20. But Professor McCarthy openly admits that the caselaw is to the contrary, and no circuit courts have adopted his personal view. *See McCarthy, supra*, § 30:62.

support the existence of a split. But in *Tamko*, the First Circuit expressly *declined* to reach the issue of whether willfulness is required for an award of profits because the jury in that case *found* willfulness. *Id.* at 36. The fact that the First Circuit has not yet addressed the question was made clear in *Venture Tape Corp. v. McGills Glass Warehouse*, 540 F.3d 56, 63 (1st Cir. 2008), *cert. denied*, 129 S. Ct. 1622 (2009), where the court cited *Tamko* and stated: "We have previously declined to reach the question of whether 'willfulness' is required as a foundation for [a profits] award . . . and we need not decide the issue here."

Finally, Super Duper cites three law review articles as constituting general "scholarly agreement that this Court should review the question." Pet. 17. Two of those articles were published prior to 1999, the year in which Congress *answered* the question. And the third article explicitly *rejects* Super Duper's position by concluding that "neither actual confusion nor willfulness is part of § 1117(a)." *See* David S. Almeling, *The Infringement-Plus-Equity Model: A Better Way to Award Monetary Relief in Trademark Cases*, 14 J. Intell. Prop. L. 205, 221 n.82 (2007).[6]

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[6] Super Duper asserts that awarding profits absent proof of willfulness and actual confusion "would raise serious due process concerns." Pet. 23. This argument fails for several reasons. First, Super Duper never raised it below and no court has passed on it at any stage in this litigation. Second, Super Duper is wrong to suggest that absent these requirements, the award in this case would be unconstitutional, and no court has taken this approach.

B. The Circuits Are Not Divided Over Whether Actual Confusion Is Necessary For An Award Of Profits.

Super Duper admits that the Third, Fourth, Fifth, Sixth, Seventh, Ninth, Tenth, and Eleventh Circuits do not require actual confusion before awarding profits. Pet. 11, 15. Super Duper further admits that "actual confusion is not always a requirement for an award of profits in the Second Circuit," and does not claim that the "certain circumstances" where such a showing is required are present in this case (and they are not). *Id.* at 14. And Super Duper concedes that the D.C. Circuit "has not specifically held that actual confusion is required." *Id.* at 16.

The only circuit that Super Duper claims requires actual confusion is the Federal Circuit. Pet. 16 (citing *Conopco, Inc. v. May Dep't Stores Co.*, 46 F.3d 1556 (Fed. Cir. 1994)). But in that case, the Federal Circuit was applying substantive law of the *Eighth* Circuit. *Id.* at 1563. Moreover, the Eighth Circuit case cited by the Federal Circuit states that actual confusion is necessary for an award of *actual damages*, not an award of *profits*. *See Woodsmith Publ'g Co. v. Meredith Corp.*, 904 F.2d 1244, 1247, n.5 (8th Cir. 1990). The two are treated differently by the caselaw, as well as by the Lanham Act itself. *See, e.g., Thompson v. Haynes*, 305 F.3d 1369, 1380 (Fed. Cir. 2002) (explaining that "by the terms of [§ 1117(a)], 'damages' are to be treated separately from 'profits'").

There is no circuit that requires a finding of actual confusion before awarding profits. Indeed, such a requirement would be directly contrary to the

plain language of 15 U.S.C. § 1117(a), which obviously does not impose such a requirement.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

THOMAS H. DUPREE, JR.
Counsel of Record
DACE C. MARTINEZ
GIBSON, DUNN & CRUTCHER LLP
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 955-8500
TDupree@gibsondunn.com

Counsel for Respondent

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No. 10-603

IN THE
Supreme Court of the United States

SUPER DUPER, INCORPORATED, D/B/A SUPER DUPER PUBLICATIONS,
Petitioner,

v.

MATTEL, INCORPORATED,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

REPLY BRIEF FOR PETITIONER

THOMAS ZELLERBACH
KHAI LEQUANG
ORRICK, HERRINGTON
& SUTCLIFFE LLP
1000 Marsh Road
Menlo Park, CA 94025
(650) 614-7400

E. JOSHUA ROSENKRANZ
Counsel of Record
MARK DAVIES
ORRICK, HERRINGTON
& SUTCLIFFE LLP
51 West 52nd Street
New York, NY 10103
jrosenkranz@orrick.com
(212) 506-5000

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REPLY IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

There are several key areas of agreement between Super Duper and Mattel. Mattel never disputes that the question presented – the criteria for awarding "profits" for trademark infringement – is a question of enormous practical significance. As the petition explains without comment from Mattel, virtually every one of the thousands of trademark actions filed each year seeks to recover the defendant's profits from the infringement. Pet. 24-26. Mattel also agrees that for many years there was a "circuit split" on the criteria for awarding trademark profits. Resp. 17, 18, 21. Although Mattel incorrectly argues that an amendment to the profits provision governing trademark **dilution** resolved the long-standing split on the criteria for profits from trademark **infringement**, the leading treatise on trademark law expressly declares that description of Congressional intent "inaccurate."

Mattel's principal arguments against review rely on inaccurate characterizations of this litigation. Only by resort to the most permissive criteria for awarding profits, criteria that require proof of neither willful infringement nor actual customer confusion, could the Fourth Circuit affirm the district court's million dollar profits award in this infringement case.

I. THE CIRCUITS ARE DIVIDED OVER THE CRITERIA FOR AWARDING PROFITS UNDER THE LANHAM ACT

Mattel tellingly devotes only belated attention to the circuit split, electing to begin its discussion on page 17. Mattel's hesitancy is well-founded.

The linchpin of Mattel's circuit discussion is the suggestion that a 1999 amendment to the trademark dilution profits statute rendered all the case law regarding trademark infringement profits magically uniform in light of Congress's "clear" (Resp. 17) directive.

As a matter of legislative interpretation, Mattel's position is meritless. The petition explains (Pet. 19-20) that in 1999 Congress amended 15 U.S.C. § 1117(a) to permit a monetary award only for "willful" **dilution** under 15 U.S.C. § 1125(c) ("1999 Dilution Amendment"). This amendment did not touch the standard for an award of profits for **infringement** under 15 U.S.C. § 1125(a). Congress did not need to make the willfulness requirement explicit in section 1117(a) because "it is not only appropriate but also realistic to presume that Congress was thoroughly familiar with . . . precedents from this and other federal courts and that it expected its enactment to be interpreted in conformity with them." *Cannon v. Univ. of Chicago*, 441 U.S. 677, 699 (1979). *See* Pet. 18-19.

Mattel gets no support from *Duncan v. Walker*, 533 U.S. 167 (2001). *See* Resp. 19. In *Duncan*, at issue was the meaning of a tolling provision

triggered by an "application for State post-conviction or other collateral review" pursuant to 28 U.S.C. § 2244(d)(2). 533 U.S. at 169. Because the text in nearby provisions specified "Federal" review while the tolling provision did not so specify, the Court construed the tolling provision not to provide for federal review. *Id.* at 173. Here, the relevant text on infringement profits codified the preexisting judicial understanding of the criteria for awarding infringement profits. Nothing in *Duncan* suggests that such a codification is displaced when Congress subsequently enacts a separate provision.

In any event, Mattel's suggestion that the 1999 Dilution Amendment has resolved the split is not an accurate description of the circuit case law. The petition describes how the Third, Sixth and Seventh Circuits have rejected both intentional infringement and actual confusion as prerequisites for an award of profits. Pet. 11-13. On the other side of the split, the petition describes how the First, Second, Ninth, Tenth, District of Columbia and Federal Circuits all require either intentional infringement or actual confusion or both before awarding the defendant's profits. Pet. 13-16.

Mattel makes no comment on the Sixth, Seventh and Tenth Circuit case law cited by the petition. *See* Pet. 11-12.[1] Mattel notes that the Fourth and Fifth

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[1] *See also W. Diversified Servs., Inc. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1273 (10th Cir. 2005) ("[W]e require a showing that Defendant's actions were willful to support an award of profits under 15 U.S.C. § 1117(a)"); *Henry v. Pro 10 Originals, LLC*, 698 F. Supp. 2d 1279, 1300-01 (D. Wyo. 2010) ("[T]his circuit holds that an award of a defendant's profits

Circuits' referred to the 1999 Dilution Amendment. Resp. 20. But to the extent these circuit courts have used the dilution amendment to justify their views, the split has merely become more, not less, entrenched. Mattel says little regarding the D.C. Circuit, noting only (Resp. 23) that the D.C. Circuit had not specifically ruled that actual confusion was required but not refuting that the D.C. Circuit has held that it would not award profits in the absence of a causal link between profits and infringement, a holding that necessarily requires proof of actual confusion.[2] And, as to the Federal Circuit, Mattel's response emphasizes that the Federal Circuit was applying Eighth Circuit law and did so incorrectly. Resp. 23. But even if accurate, that would merely confirm that the circuit courts are in disagreement about the proper criteria for awarding infringement profits.

Mattel highlights that the Third Circuit used to hold that willfulness was a requirement, but pegged its change of heart to the 1999 Dilution Amendment. Resp. 19 (discussing *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168 (3d Cir. 2005)). In doing so, however, the Third Circuit expressly recognized the "wealth of

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'requires a showing that defendant's actions were willful or in bad faith") (citing *Bishop v. Equinox Int'l Corp.*, 154 F.3d 1220, 1223 (10th Cir. 1998)); *Cache La Poudre Feeds, LLC v. Land O' Lakes, Inc.*, No. 04-cv-329, 2007 WL 2521116 (D. Colo. Aug. 31, 2007) ("The Tenth Circuit further stated that a finding of willfulness is required to support an award of profits.").

[2] *See also Breaking the Chain Found., Inc. v. Capitol Educ. Support, Inc.*, 625 F. Supp. 2d 1, 2 (D.D.C. 2009) ("To recover a defendant's profits under the Lanham Act, the plaintiff must show the defendant acted 'willfully or in bad faith.'") (internal citations omitted).

contrary authority" in other circuits. *Banjo Buddies*, 399 F.3d at 174.

Moreover, the leading scholar in trademark law has expressly rejected the reasoning of the *Banjo Buddies* decision, concluding that the 1999 Amendment did not "remov[e] willfulness as a requirement for an award of profits in a classic infringement case." 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARK AND UNFAIR COMPETITION § 30:62 (4th ed. Supp. 2010) ("courts have leveraged this statutory change beyond its intended scope to adjust the equities in ordinary infringement cases in order to make it easier for a trademark owner to recover profits."). Mattel asserts that this is Professor McCarthy's "personal view" (Resp. 21 n.5), but McCarthy writes: "By 2005, a split of authority developed such that while most circuits required some showing of willfulness, the Third and Fifth (and perhaps the Seventh and Eleventh) held that while relevant, willfulness was not essential or indispensable to a recovery of profits." *Id.*

As to the First Circuit's decision in *Venture Tape Corp. v. McGills Glass Warehouse*, 540 F.3d 56 (1st Cir. 2008), cited by Mattel, that decision did not disturb the willfulness requirement stated in *Tamko Roofing Prods., Inc. v. Ideal Roofing Co.*, 282 F.3d 23, 36 n.11 (1st Cir. 2002).

As to the Second Circuit, Mattel cites a single district court decision, *Nike, Inc. v. Top Brand Co.*, No. 00-civ-8179, 2005 WL 1654859 (S.D.N.Y. July 13, 2005), that is demonstrably out of step with Second Circuit law. Since *Nike*, numerous district

courts in the Second Circuit have continued to follow *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532 (2d Cir. 1992), *see* Pet. 14, while expressly rejecting *Nike*. *See, e.g., Pedinol Pharmacal, Inc. v. Rising Pharms., Inc.*, 570 F. Supp. 2d 498, 503 (E.D.N.Y. 2008) ("court holds, therefore, that the Second Circuit's interpretation of Section 1117(a) in *Basch*, which construed the same statutory language that existed prior to the 1999 Amendment of the statute, remains good law"); *Malletier v. Dooney & Bourke, Inc.*, 500 F. Supp. 2d 276, 281 (S.D.N.Y. 2007) ("addition of 'willful violation under section 1125(c),' does not indicate that it was Congress's intention to simultaneously *sub silentio* overturn the weight of authority with respect to section 1125(a)") (internal citation omitted); *Mr. Water Heater Enters., Inc. v. 1-800-Hot Water Heater, LLC*, 648 F. Supp. 2d 576, 590 (S.D.N.Y. 2009).

As to the Ninth Circuit, Mattel again highlights a one-off district court opinion. Resp. 20. But, since 1999, the Ninth Circuit has restated its requirement of willfulness on at least two occasions. *See Contessa Food Prods. Inc v. Lockpur Fish Processing Co.*, 123 Fed. Appx. 747, 751 (9th Cir. 2005) ("[W]e deny Contessa's request for disgorgement of profits because of an absence of any evidence supporting a reasonable inference that any of the Defendants willfully infringed its alleged trademark"); *Kassbaum v. Steppenwolf Prods., Inc.*, 236 F.3d 487, 492 (9th Cir. 2000) ("Actual consumer confusion is not required for profit recovery; it is sufficient to show a likelihood of confusion combined with willful infringement."). Consequently, district courts in the Ninth Circuit have continued to require willful

infringement for an award of profits. *See also Bellagio Jewelry, Inc. v. Croton Watch Co.*, No. CV 06-6672, 2008 WL 3905895, at *12 (C.D. Cal. Aug. 20, 2008) ("Generally, a plaintiff must establish that the defendant engaged in willful misconduct to obtain a defendant's profits.").

II. THIS CASE IS AN IDEAL VEHICLE TO CLARIFY THE CRITERIA FOR AWARDING PROFITS UNDER THE LANHAM ACT

Mattel saves most of its effort for a rambunctious attempt to show that the question presented is not suitably presented. Resp. 11-17. By any objective analysis, however, the criteria for awarding trademark profits is squarely presented in this case where the jury found neither intentional infringement nor actual confusion yet the district court awarded $1 million in trademark profits and the Fourth Circuit summarily affirmed based solely on the trademark infringement finding. Mattel notes (Resp. 11) the numerous issues that Super Duper is "not challenging," inadvertently confirming that this is suitable vehicle for considering the important questions presented.

a. Mattel's reading of the jury verdict form is refuted by the form itself. Mattel denies that the jury found Super Duper's infringement not intentional. Resp. 13-14. But the jury answered "no" to the question "Do you find that Super Duper's infringement and unfair competition was intentional?" App. 43a. Mattel argues that, given the jury's answer of "no" to Question 2 (which asked

whether Super Duper committed unfair competition), the jury's answer of "no" to Question 3 was inevitable given the conjunctive phrasing of Question 3. Resp. 13. But Question 2 of the verdict form instructs the jury that "If you answer NO, proceed to Question 5." App. 43a. The jury, therefore, would not have answered Question 3 if it had answered "no" to Question 2. Only because the jury had answered "yes" to Question 1 (which asked whether Super Duper committed infringement) did the jury answer Question 3 (regarding intent) in the negative. App. 42a.[3]

Similarly, Mattel's belated suggestion that the jury found actual confusion is wrong. Even a cursory review of the record leaves no doubt as to the absence of any evidence of actual confusion. *See, e.g.*, J.A. 514, 763 ("I haven't been confused"); 733 (in twenty years had "never seen any sign of confusion"); 983 (Super Duper's unrebutted expert testimony

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[3] Mattel selectively quotes from the record in an unpersuasive post-hoc effort to establish willful infringement. The opinion of counsel that Mattel highlights (Resp. 4) approved Super Duper's mark. J.A. 1542-43 ("[I]t is our opinion that your proposed mark SEE IT! SAY IT! is available for your use and registration."). Although Super Duper "engaged different outside counsel" the following year (Resp. 4), this was because the trademark attorney had died. J.A. 823 ("Ralph got suddenly terminally ill and he passed away sometime in 2002, 2001, and we had to go to a new trademark attorney."). Mr. Webber's "numerous sworn statements," which concerned his familiarity with the SEE 'N SAY marks specifically, were not shown to be false by any later admission. *See* J.A. 869 ("I didn't realize that the SEE 'N SAY was that little pull toy. . . It just didn't mean anything to me in 1997 in connection with the name being a pull toy.").

that "since 1987 they have been in the marketplace together, and you don't have any evidence of confusion"). For this reason, Mattel did not claim lost sales at trial. J.A. 1278-79 ("[W]e are saying we are only claiming defendant's profits. We are not claiming actual damages through lost sales of Mattel. We are not claiming that."). The district court expressly ruled actual confusion not relevant. App. 27a ("Factor two, whether sales been diverted, is inapplicable."). Mattel agreed. Brief of Appellee Mattel, Inc. at 56, *Super Duper, Inc. v. Mattel, Inc.*, No. 09-1397 (4th Cir. Oct. 27, 2009), ECF No. 33. ("The district court correctly determined that the second factor – whether sales have been diverted – was inapplicable"). The Fourth Circuit's opinion also assumes no actual confusion finding. App. 5a ("inference to be drawn from Mattel's **lack of evidence of actual confusion**") (emphasis added).

Tellingly, Mattel ignores the photographs depicting Super Duper's educational product next to Mattel's toy. *See* Pet. 5-6. By its silence, Mattel concedes what leaps off the page: the products look nothing alike. As the amicus brief filed in support of Super Duper's petition confirms, Super Duper is known and loved among the special needs community, not because it peddles knocks-offs of pull-toys – in fact, it does not sell a single pull-toy – but because its products are innovative and the state of their art, having helped many children overcome challenges that range from simple stuttering to severe apraxia. *See* J.A. 532-34, 551-63. Moreover, as Mattel argued during the course of this litigation, "other trademarks have no bearing upon any fact

that is pertinent to the ultimate resolution of this action." Defendant and Counterclaimant's Motion in Limine No. 6 at 4, *Super Duper, Inc. v. Mattel, Inc.*, No. 6:05-CV-01700-HFF (D.S.C. Sept. 18, 2007), ECF No. 212. *Accord* App. 27a (district court "considered only" conduct "that is the subject of this suit").

b. Mattel mischaracterizes the decision below in arguing that the Fourth Circuit's affirmance of the profits award was also "based on Super Duper's waiver of any challenge to basing the profits award on dilution." Resp. 16 n.3.

Contrary to Mattel's suggestion, the sole reason the Fourth Circuit affirmed the profits award below was its (mistaken) view of the infringement profits provision. As the petition explains (Pet. 9), the Fourth Circuit found the dilution error waived and thus reviewed "this issue only for plain error." App. 13a. The Court declined to "exercise [its] discretion to correct the [dilution] error," solely because the "award of profits and attorneys' fees and costs in this case was **independently justified** by the jury's" "infringement" finding. App. 13a-14a (emphasis added). Because the district court was permitted, in the Fourth Circuit's view, to award profits based on infringement, it would not correct the legal error: "Super Duper has simply failed to establish that the district court's award of lost profits would have differed had it not considered the jury's finding of trademark dilution." App. 14a. Thus, only because the infringement profits were found proper did the court decline to use its plain error authority to correct the error on dilution.

c. Mattel also misinvokes this Court's waiver rules. Mattel cites waiver cases where the issue presented to this Court was **never** ruled on by the court of appeals, and did not constitute well-settled law in the circuit. *See Adickes v. S.H. Kress & Co.*, 398 U.S. 144 (1970) (declining to consider overruling the Civil Rights Cases where circuit had not addressed question); *Pennsylvania Dep't Corrs. v. Yeskey*, 524 U.S. 206, 212 (1998) (declining to review whether the American Disabilities Act's application to state prisons is a constitutional exercise of Congress's power under either the Commerce Clause or the 14th Amendment; circuit authority had not ruled on the question, *see Inmates of Allegheny County Jail v. Wecht*, 93 F.3d 1124 (3d Cir. 1996)). Here, the issue was passed on both in this case and in a prior circuit court decision.

The district court awarded the infringement profits (App. 25a-26a) and the court of appeals affirmed the award (App. 14a). The question of whether the infringement profits award is proper is thus squarely presented. *See, e.g., Stevens v. Dep't of Treasury*, 500 U.S. 1, 8 (1991) ("The District Court heard the case on the merits. . . . The Court of Appeals in its turn specifically referred [to] . . . the timeliness question . . . We thus are satisfied that the issue is properly before us.").

Moreover, the Fourth Circuit's position on the question presented is clear. As the petition explains and as Mattel does not deny, the Fourth Circuit has clearly decided that intentional infringement and actual confusion are not required for an award of infringement profits. Pet. 12-13; *see Synergistic Int'l,*

LLC v. Korman, 470 F.3d 162, 175 (4th Cir. 2006). Here, the Fourth Circuit applied that settled and binding circuit law in an unpublished disposition. Add. 15a n.8 (discussing *Synergistic*). Thus, it matters not that Super Duper did not previously press the proper criteria for trademark infringement. The court of appeals had ruled on the issue previously and applied that ruling in this case. *See Lebron v. Nat'l R.R. Passenger Corp.*, 513 U.S. 374, 379 (1995) ("Our practice 'permit[]s review of an issue not pressed so long as it has been passed upon . . . ." (citations omitted); *United States v. Williams*, 504 U.S. 36, 41 (1992) ("permitting review of an issue not pressed so long as it has been passed upon"). Any effort by Super Duper to raise these issues below would have been futile. *See Reed v. Ross*, 468 U.S. 1, 16-20 (1984).

CONCLUSION

The petition for review should be granted.

Respectfully submitted,

THOMAS ZELLERBACH
KHAI LEQUANG
ORRICK, HERRINGTON
& SUTCLIFFE LLP
1000 Marsh Road
Menlo Park, CA 94025
(650) 614-7400

E. JOSHUA ROSENKRANZ
Counsel of Record
MARK DAVIES
ORRICK, HERRINGTON
& SUTCLIFFE LLP
51 West 52nd Street
New York, NY 10103
jrosenkranz@orrick.com
(212) 506-5000

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IN THE

Supreme Court of the United States

SUPER DUPER, INCORPORATED,
D/B/A SUPER DUPER PUBLICATIONS,
Petitioner,

v.

MATTEL, INCORPORATED,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

BRIEF OF *AMICI CURIAE* THE STUTTERING FOUNDATION, GREAT IDEAS FOR TEACHING, INC., AND SPEAK UP FOR SAY IN SUPPORT OF PETITIONER

Michael C. Small
Scott J. Street
AKIN GUMP STRAUSS
HAUER & FELD LLP
2029 Century Park East
Suite 2400
Los Angeles, CA 90067
(310) 229-1000

Patricia A. Millett
Counsel of Record
AKIN GUMP STRAUSS
HAUER & FELD LLP
1333 New Hampshire
Ave., NW
Washington, DC 20036
(202) 887-4000
pmillett@akingump.com

WILSON-EPES PRINTING CO., INC – (202) 789-0096 – WASHINGTON, D. C. 20002

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INTEREST OF *AMICI CURIAE*

Amici curiae The Stuttering Foundation, Great Ideas for Teaching, Inc., and Speak Up For Say all share a commitment to the education of children with speech and learning disabilities. They understand firsthand the critical need for both innovation in educational tools for these children and clear communication about the therapeutic and educational functions of these tools. *Amici* submit this brief to explain to the Court the profoundly harmful impact on those interests of the sweeping trademark damages rules adopted by the court of the appeals in this case.[1]

The Stuttering Foundation is the largest nonprofit charitable organization dedicated to preventing stuttering and improving its treatment throughout the world. Among its many activities, The Stuttering Foundation provides publications, online resources, and support to individuals who stutter and to their families, as well as support for research into the causes of stuttering.

Great Ideas for Teaching, Inc. develops materials for speech language pathologists to use in the education of children with speech and learning disabilities. Formed in 1985, Great Ideas for

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[1] Counsel of record for the parties received notice of *Amici's* intention to file this brief more than 10 days before the brief was due. The parties have consented to the filing of this brief. No party or counsel for a party authored this brief in whole or in part, and no party or counsel made a monetary contribution intended to fund the preparation or submission of this brief.

Teaching is a leader in the field of special education publishing. Like petitioner, Great Ideas for Teaching uses commonplace words, such as "see" and "say," in its publications and other educational resources. Great Ideas for Teaching also sells innovative speech therapy materials produced by other companies in the forefront of special education, including petitioner.

Speak Up For Say is an organization that voices the concerns of the special education community and hundreds of affected and interested individuals over the use of trademark law in this case to penalize the use of the word "say" in materials and resources used to teach children with speech and learning disabilities.

INTRODUCTION AND SUMMARY OF ARGUMENT

The uniformity of trademark law nationwide is vital for business and consumers alike. As documented in the petition, however, trademark law is anything but uniform on the question of the legal standard for the recovery of damages: the circuits are deeply split on whether a plaintiff can recover damages under trademark law in the absence of evidence of intentional infringement of the plaintiff's mark or evidence of actual confusion between the plaintiff's mark and the defendant's product. The court of appeals' decision in this case further entrenches that divide.

Beyond exacerbating the circuit split, the court of appeals' decision is emblematic of skewed judicial interpretations of our intellectual property laws. As this Court repeatedly has stated, those laws are

intended to strike a careful balance between intellectual property rights, on the one hand, and innovative development and consumer benefits on the other hand. The court of appeals' decision confounds that balance. Nobody confused respondent's mass-marketed "See and Say" line of toys with petitioner's use of the words "see" and "say" in its specialized educational products for children with speech and language disabilities. And there was no evidence that petitioner intended to infringe respondent's mark. Yet, the court of appeals construed the Lanham Act to allow respondent, the world's largest toy manufacturer, to collect a seven figure damages award from petitioner. That rigid interpretation of the law was unnecessary to protect intellectual property rights and will have adverse consequences on businesses, therapists, teachers, and consumers in the specialized market of educational tools for learning and developmentally disabled children.

The repercussions of the court of appeals' decision are significant precisely because this case arises in the context of the education of disabled children, which Congress has recognized as a national priority. It is essential to that mission that parents and teachers of children with speech disorders be able to repeat the commonplace and therapeutically vital words "see" and "say" in their day-to-day lessons, and that businesses that make and distribute products and publications for their use be able to accurately convey the remedial assistance they provide. Exposing publishers and producers of specialized educational materials that seek to help children overcome speech disorders to multimillion dollar damages awards for simply using words like

"see" and "say" will hinder innovation and growth in the development of vital learning tools on which parents and teachers rely.

ARGUMENT

I. REVIEW IS WARRANTED BECAUSE THE COURT OF APPEALS' DECISION ENTRENCHES THE NUMBER OF CIRCUITS ADOPTING ERRONEOUS TRADEMARK LAW RULES THAT HINDER INNOVATION AND CONSUMER CHOICE.

A. *Amici* agree with petitioner that the court of appeals' decision expands a circuit conflict on the recurring question of the standards by which courts may award a plaintiff the defendant's profits under the Lanham Act, 15 U.S.C. § 1117(a). More specifically, this case presents the question whether damages awards may be imposed for the use of commonplace words like "see" and "say" when there is no evidence that the defendant intentionally infringed the plaintiff's trademark or that customers were actually confused by the alleged infringement. Pet. at 1-3, 11-27.

Resolution of that important question of federal law should not turn upon state boundaries. Virginia and North Carolina, which both have large and very active high technology corridors, are within the Fourth Circuit, and businesses there fall subject to the developmental chilling effect that the Fourth Circuit's heavy trademark damages hammer imposes on industry. *Amicus curiae* Great Ideas for Teaching is headquartered in North Carolina and thus, like petitioner, is subject to the Fourth Circuit's

trademark damages rule for using commonplace and therapeutically critical words like "see" and "say" in labeling its special educational products that help developmentally disabled children learn to speak and say words. Furthermore, because Great Ideas for Teaching and the Stuttering Foundation distribute publications throughout the country, they could face potentially crippling trademark damages liability in the other five circuits that do not require evidence of intentional infringement or actual confusion as a predicate for the imposition of damages.

B. The sharp division in the circuit courts of appeals merits this Court's review not only because of the critical need for uniformity in the administration of trademark law, but also because the questions presented in the petition encapsulate cross-cutting concerns about overreaching in the enforcement of intellectual property laws in general. Here, that overreaching has broad implications on businesses and consumers in the area of developmental and learning disability education.

As this Court repeatedly has recognized, intellectual property laws like the Lanham Act strike a "careful balance between the need to promote innovation and the recognition that imitation and refinement through imitation are both necessary to invention itself and the very lifeblood of a competitive economy." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989). Accordingly, the manner in which those laws are interpreted necessarily affects the emergence and development of the nation's businesses and the nature of the products that they market. The court of appeals' decision here, like the rulings from the other five

circuits that do not require intentional infringement or actual confusion as a predicate for trademark damages awards (Pet. 11-13), disregards this Court's teaching in *Bonito Boats*.

The decision also contravenes *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000), in which this Court stressed that the trademark law, in the context of a trade dress dispute, should not be interpreted in a manner that would deprive "consumers * * * of the benefits of competition with regard to the utilitarian and esthetic purposes that product design ordinarily serves," *id.* at 213. The six courts of appeals' authorization of sweeping trademark damages awards without any finding of intentional infringement or consumer confusion fundamentally skews this Court's and Congress's balance by enforcing "a rule of law that facilitates plausible threats of suit against new entrants based upon alleged inherent distinctiveness" alone, even when the trademark pertains to a "not inherently distinctive" yet critically communicative word like "see" and "say." *Ibid.* These courts of appeals thus have overprotected the trademark holder in a manner that is "more harmful to other consumer interests." *Ibid.* *See also TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 29 (2001) (stressing need for lower courts to exercise "caution against misuse or overextension of trade dress").

The courts of appeals that allow trademark damages even in the absence of intentional infringement or actual confusion also put trademark law at odds with patent law, where this Court has carefully maintained the balance between protecting inventors and the interests of consumers, reversing

lower court decisions that unduly expanded the scope of patent protection at the expense of innovation and consumer benefits. *See KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 420-21 (2007) (rejecting narrow test for proving obviousness of inventions); *MedImmune v. Genentech, Inc.*, 549 U.S. 118, 137 (2007) (rejecting requirement that patent licensees materially breach their licenses before they can challenge patent's validity); *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391, 393-394 (2006) (rejecting "general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances"); *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 830 (2002) (rejecting attempt to circumvent well-pleaded complaint rule by claiming exclusive jurisdiction over *any* case that includes patent law question).

At bottom, the circuits that eschew proof of consumer confusion or intentional infringement as a prerequisite to trademark damages awards adopt the very type of "[r]igid preventative rules that deny factfinders recourse to common sense" that this Court has consistently condemned as inimical to intellectual property law's careful balance. *KSR*, 550 U.S. at 421. A rule that places businesses on the hook for financially devastating seven-figure damage awards simply for employing commonplace words like "see" and "say" in designing resources for a specialized consumer market, without any risk of consumer confusion or intentional infringement, is "neither necessary under [this Court's] case law nor consistent with it." *Ibid.* Rather than "protect the ability of consumers to distinguish among competing producers," which is the purpose of the Lanham Act, *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S.

189, 198 (1985), the Fourth Circuit's decision threatens to destroy competition altogether or to deny consumers in specialized markets the basic information needed to understand the products and services being provided.

II. THE COURT OF APPEALS' RULING WILL HAVE ADVERSE CONSEQUENCES FOR CHILDREN WITH SPEECH AND LEARNING DISABILITIES AND THOSE WHO TREAT THEM.

A. Certiorari review is further warranted because this case arises in an area of vital national concern: the enhancement of educational opportunities for disabled individuals.

Through its initial passage of the Individuals with Disabilities Education Act ("IDEA") in 1975 and its subsequent reauthorizations and expansions of that law, Congress has made the education of children with developmental disabilities, including the types of speech and language disabilities that petitioner's products redress, a high national priority. *Winkelman v. Parma City Sch. Dist.*, 550 U.S. 516, 523 (2007); *see also Forest Grove Sch. Dist. v. T.A.*, 129 S. Ct. 2484, 2491 (2009) (describing history of IDEA). Prior to the IDEA, "the majority of disabled children in America were 'either totally excluded from schools or sitting idly in regular classrooms awaiting the time when they were old enough to drop out.'" *Schaffer v. Weast*, 546 U.S. 49, 52 (2007) (quoting H.R. Rep. No. 332, 94th Cong., Sess. 2 (1975)) (additional quotations omitted); *see also* 150 Cong. Rec. S11543 (daily ed. Nov. 19, 2004) (statement of Sen. Kennedy) ("When Congress first

passed IDEA, disabled children were shuttered away. They had no place in our society."). Because of IDEA, children with developmental and learning disabilities are no longer "shuttered away." 150 Cong. Rec. S11543, *supra*. Instead, the Nation has come to recognize the enormous potential of such children to learn if afforded a fair opportunity and to make vital contributions to our society, in much the same way that the Americans with Disabilities Act has served to remedy the historic isolation and segregation of individuals with disabilities by "integrat[ing] them into the economic and social mainstream of American life." *PGA Tour, Inc. v. Martin*, 532 U.S. 661, 675 (2001) (internal quotations omitted). *See Board of Trustees of the Univ. of Alabama v. Garrett*, 531 U.S. 356, 375 (2001) (Kennedy, J., concurring) ("[T]he law can be a teacher. So I do not doubt that the Americans with Disabilities Act of 1990 will be a milestone on the path to a more decent, tolerant, progressive society.").

B. Materials like those manufactured or published by petitioner, Great Ideas for Teaching, and the Stuttering Foundation are employed regularly by professional speech pathologists in their work with students who have speech and language disabilities. As a result, those educational materials play an important role in the fulfillment of the IDEA's goals of enhancing educational opportunity for students with disabilities.

Indeed, the number of children and adults with disabilities whose lives and contributions to society are enhanced by products developed by petitioner, Great Ideas For Teaching, the Stuttering Foundation and other specialized businesses like petitioner's is

staggering. In 2007-2008, more than 1.4 million individuals ranging in age from 3 to 21 received services under Part B of the IDEA for speech and language impairments. That represents more than 20% of the 6.6 million individuals receiving IDEA Part B services. NCES, Digest of Education Statistics, Table 50, *available at* http://nces.ed.gov/programs/digest/d09/tables/dt09_050.asp (last visited Dec. 2, 2010); *see also* Cal. Dep't of Education, 2009 Factbook on Education, p. 83, *available at* http://www.cde.ca.gov/re/pn/fb/documents/factbook2009.pdf (last visited Dec. 2, 2010) (noting that 176,256 people received special education services for speech or language impairment in California alone in 2007-2008). Those figures include hundreds of thousands of children with autism, 40% of whom do not talk and nearly all of whose ability to say words and to communicate is impaired. S. Rep. No. 318, 109th Cong., Sess. 2 (2006). The figures also include hundreds of thousands of students who stutter. As many as 5% of young children between the ages of 2 and 5 stutter, and some 1% of the population overall, or 3 million Americans, stutter. Stuttering Foundation, http:www.stuttesfa.org/Defaul.aspx?tabid=17.

C. The use of common words such as "see" and "say" in the materials published by petitioner, Great Ideas for Teaching, and the Stuttering Foundation are indispensable in the education of students with speech-language and learning disabilities, and in the marketing of remedial tools and resources. The repetition – the repeated saying – of words is necessary to help disabled students overcome or manage their speech and language disorders. Pet. 4. Basic words serve as building

blocks. Without them, it is difficult for students to progress to a higher level of instructional vocabulary and comprehension. Indeed, the word "say" is a basic component of language acquisition. It is one of the first verbal commands spoken to babies and is applied by every professional working on language acquisition and development and speech correction.

In this case, respondent, the world's largest mass-marketing toy company, claimed that the use of the words "see" and "say" violates marks that it has registered for certain of its toys. Respondent stands to reap $2 million on its claim, even though there was no evidence of intentional infringement and no evidence of actual confusion.

If the use of commonplace words like "see" and "say" can lead to multimillion dollar penalties on the factual record of this case, then specialized publishers like petitioner, Great Ideas for Teaching, and the Stuttering Foundation that serve children with developmental and learning disabilities will be reluctant to use key, simple terms in devising and explaining to teachers, therapists, and consumers the educational focus of their materials. Such entities may be forced to withdraw from the market altogether, for fear of being struck with large damages claims for even unintentional infringements where no consumer confusion resulted.

That retraction in the market will necessarily hinder innovation in special education. The impact will not be felt by the publishers alone, of course. Simply put, if allowed to stand, the lower courts' monetary judgment will compromise the work of professional speech pathologists who depend on

products like petitioner's and amici's and who need accurate descriptions of the design and therapeutic benefits of such products. Allowing the court of appeals' decision to stand thus will have an adverse impact on millions of students with speech disabilities, their parents, their therapists, and their teachers.[2] Rolling back educational progress on this important front hurts everyone, and merits this Court's consideration.

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[2] Studies show that parents of children with developmental disabilities are generally closely involved in the education of their children. *See* Lynn Newman, Research Digest, Involvement in the Education of Secondary-School Age Students with Disabilities, Fine Network, Harvard Family Research Project (2005); National Longitudinal Transition Study-2, Family Involvement in the Educational Development of Youth with Disabilities 86 (2005), *available at* http:/wwwnlts2.org/reports/2005_03/nlts2_report_2005_3_complete.pdf.

CONCLUSION

For the foregoing reasons and the reasons stated in the petition, the petition for a writ of certiorari should be granted.

Respectfully submitted,

Michael C. Small
Scott J. Street
AKIN GUMP STRAUSS
HAUER & FELD LLP
2029 Century Park East
Suite 2400
Los Angeles, CA 90067
(310) 229-1000

Patricia A. Millett
Counsel of Record
AKIN GUMP STRAUSS
HAUER & FELD LLP
1333 New Hampshire
Ave., NW
Washington, DC 20036
(202) 887-4000
pmillett@akingump.com

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